

	EMPLOYMENT
	Europe's charter for 1992
,	Page 20

World News

#### Angola treaty opens door to Namiblan independence

South Africa, Cube and Angola signed a US-mediated treaty in Brazzaville which commits In blazzaville which commits Pretoria to elections in Nami-bia in November next year in return for a Cuban troop with-drawal from Angola - thus cading independence to the territory it has controlled for over 70 years. Page 20

Mexican prison fire At least 19 inmates were killed and five injured when fire

broke out at a prison in Mon-terrey in north Mexico.

#### India poli bills

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Two bills were introduced in the Indian Parliament to lower the voting age to 18 and to crack down on vote rigging before national elections due by the end of 1989. State election day set, Page 4

#### **Clashes in Warsaw**

Polish riot police clashed with anti-Government demonstrators in central Warsaw on the seventh anniversary of the introduction of martial law.

#### **US missile pull-out**

The last eight US nuclear cruise missiles in Belgium were flown to a destruction site in Arizona, under the 1987 Intermediate-range Nuclear Forces treaty.

#### Mandela 'worse off'

Nelson Mandela is worse off and lonelier than ever, his lawyer Ismail Ayob said after the South African nationalist leader's first visit by his family since being moved from a clinic to a villa inside prison grounds near Cape Town.

**Onassis drug traces** Argentine investigators said they had found traces of a sed-ative drug in samples taken from the body of shipping mil-lionairess Christina Onassis, who died on November 19.

Vietnam troop cuts Vietnam announced demobilisation of more than 300,000 sol-

### Genentech forecasts loss on poor biotech sales

GENENTECH, premier US hiotechnology company, says it will report loss in current quarter because of disappoint-ing sales of its main heart drug, known as t-PA or Acti-vase. Announcement indicates difficulties facing fledgling bio-tech industry as hopes of won-der drugs have not material-ised. Page 21 ised. Page 21

STERLING continued to lose ground as institutional inves-tors took profits before yearend and in reaction to fears that possible rise in West Ger-man and US interest rates could compromise sterling's

Sterling

3.22

3 203

against the D-Mark (DM per £)

3.24 



ttraction as a high yielding

investment. Pound's exchange rate index fell to 77.8 from 78.0 at the opening and 78.2 on Monday. Against D-Mark, it fell below DM3.20 to finish at DM3.1950, regarded as a key support level. Page 42

THORN EML, UK retail and technology group, confirmed its Inmos semiconductor sub-sidiary to SGS-Thomson, Europe's second largest semiconductor maker. Page 21

LONRHO, mining to car distribation conglomerate, failed to win temporary order in Brit-ish High Court freezing 95.02m of its shares held by companies controlled by Australian entrepreneur Alan Bond. Page 21

FRENCH construction companies Bouygues, Dumez, Spie Batignolles, SGE and SAE, building the Channel tunnel,

### Arafat presses call for UN peace talks

By Victor Mallet in Geneva

MR YASSIR Arafat, leader of an illusion of moderation." Israel's response was pres isation (PLO), yesterday made an impassioned plea to Israel to negotiate with its Arah opponents and launched a three-point Palestinian peace proposal. In his first speech to the United Nations General Assem-

bly for 14 years, Mr Arafat went no further than he has already gone in recent weeks

to meet Israeli and US demands, hut he again con-demned terrorism and accepted the existence of Israel along-side a future Palestinian state.

"I, as Chairman of the PLO, hereby once more declare that I condemn terrorism in all its forms," he said in an 80-minute address. "Come, let us make peace . . . I ask the leaders of israel to come here, under the sponsorship of the United Nations so that, together, we

can forge that peace. can forge that peace." Mr Yitzhak Shamir, the Israeli Prime Minister, denounced the speech as "a monumental act of deception." He told a press conference in Jerusalem that Mr Arafat's recent trail of speeches was "a was therefore moved to Geneva mirage designed to deceive the international community with The PLO leader suggested a

Israel's response was predict-able, and Mr Arafat directed tions able, and Mr Araat directed much of his speech towards the US and Europe. He hopes they will press Israel to with-draw from the territories occu-pled in the 1967 war and to allow the establishment of a small Park and Coar West Bank and Gaza.

The US reaction was to say that the speech did not meet conditions for a public dia-logue with the PLO. "The speech contained some interesting and some positive devel-opments but it continued to be ambiguous on the key issues, which mnst he clearly addressed in order for the United States to enter a substantive dialogue with the PLO," said Mr Charles Red-man, the State Dspartment spokesman Mr Arafat's speech attracted

particular interest after the outgoing US administration refused him a visa to address the UN in New York, on the ders. grounds that he is associated with terrorism. This week's debate on the Palestinian issue ger realistic.

EC audit report uncovers

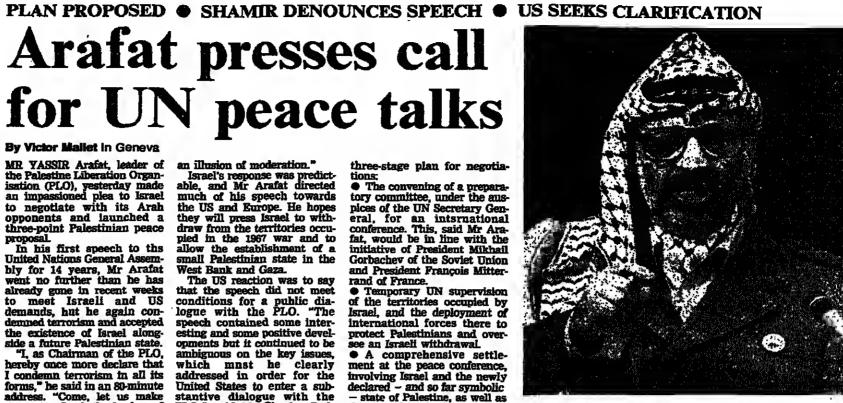
three-stage plan for negotia-

The convening of a preparatory committee, under the aus-ploes of the UN Secretary Gen-eral, for an intsrnational conference. This, said Mr Ara-fat, would be in line with the initiative of President Mikhail Gorbachev of the Soviet Union and President François Mitter-

rand of France. • Temporary UN supervision of the territories occupied by Israel, and the deployment of international forces there to protect Palestinians and over-see an Israeli withdrawal.

• A comprehensive settle-A comprehensive settlement at the peace conference, involving Israel and the newly declared - and so far symbolic - state of Palestine, as well as their Arah neighbours. This would be based on UN Resolution 242, which calls for an Israeli withdrawal, but at the same time provides all comtribution to the provides all comprehension. tries in the region with the right to live within secure bor-

Mr Arafat, sporting his usual battle fatigues and kefflyeh headgear, acknowledged that his old dream of a state in the whole of Palestine was no lon-



Yassir Arafat: impassioned plea for peace

"We had to draw the necessary conclusion regarding the gap between this reality and the dream," he said. "Ws set out in the PLO to look for realistic and attainable formulas that would settle the issue on he hasts of possible rather han absolute justice." some bargaining chips when it goes to any international Mid-dle East peace conference that might materialise. the hasis of possible rather than absolute justice."

### Soviet earthquake chaos continues

#### By John Lloyd in Moscow

THE situation in Armenia grew darker yesterday as the official earthquake death toll rose from 45,000 to a provi-sional 55,000 and details cheskaya Indusriya reported that many villages in northern Armenia had been "wiped off the map," while other reports talk of children from these vilemerged of disorganization, chaos and corruption marring rescue efforts.

lages dying of pneumonia before help could reach them. Westerners returning to Moscow tell of continuing Ethnic tensions between Armenians and Azeris, offi-cially held to be dissolving after the calamity, continued chaos in the three worst-hit unabated.

towns of Kirovakan, Leni-nakan and Spitak. Mr Gennady Gerasimov, the foreign affairs spokesman, said yesterday that 55,000 people had died and 13,000 were digging in the rubble seemed mainly to be done by survivors looking for relatives: the injured out of the population of 700,000 in the area affected by cranes were still inadequate to the calamity. Mr Samuel Pisar, a British

the job of lifting concrete blocks and the organisation of lawyer involved in relief work, said Mr Yevgeny Chazov, the snpply convoys out of Leni-

#### **IBM** enlists Siemens' help to cut losses in telecom unit By Roderick Oram in New

York and Andrew Fisher In Frankturt

IBM, the world's leeding computer maker, yesterday brought in Siemens, the West German electronics group, to help achieve a turnround at Rohn, its telecommunications equipment subsidiary which has continued to run up large losses since the US group bought it four years ago for \$1.5bn.

The two announced a series of broad joint ventures involv-ing all of Rohn's assets and some of Siemens' US telecom-munications business. IBM is giving Siemens the

manufacturing and product development of Rolm's equip-

The agreement should relieve IBM of a continuing problem – analysts estimate Rolm lost \$100m in the first half – while bolstering Sie-mens' US presence. Financial

mens of presence. Financial terms were not disclosed. Mr John Akers, IBM chair-man said: "IBM and Siemens technology and talents will allow customers to harness the full power of voice and data networks."

Dr Karlheinz Kaske, Sie-mens president, added: "This co-operation will reinforce our commitment to hecoming a leading supplier of telecommu-nications systems in the US and strengthen our worldwide position."

After Siemens' joint bid for Plessey with GEC of the UK, the deal with IBM is further evidence of the German group's determination to build up both its US activities and its international telecommuni-

cations efforts. Slemens has built up a turnover in the US of some \$3bn, double the level of four years ago.

Its main thrust, however, has been in medical technol-ogy – where it is number two behind General Electric of the US - and energy systems. It is hardly represented in telecommunications, in contrast to its dominant domestic position.

IBM's decision to find a partner for Rolm underscores the slow progress it has made with the manufacturer of private branch exchanges (PBXs) and other telecommunications

equipment.



The report, prepared for the European Parliament and cov-ering the 1987 financial year, represents a serious indictment of the European Community's accounting procedures.

It is particularly scathing about the European Commis-sion's central management controls, and highlights the way in which the EC's budget-ary year has frequently been "manipulated" to disguise

the continuity of accounting procedures from one financial year to the other is not strictly observed. The report's most dramatic findings are based on a detailed study of the system of export subsidies (or refunds) paid to European beef traders

obtain export funds. The transactions were worth Ecul6m (\$19m) over two years. On another occasion national controls had failed to

detect that consignments declared to be beef were in fact chicken scraps, and that the exporters had received "irregu-lar" refunds totalling Ecul.4m. Generally the report claims that checking procedures are inconsistent from country to country, and often inadequate, that exports have been made through non-approved ports, and that proofs of arrival accepted by the paying agen-cies have sometimes been of

"dubious authenticity."

alers in m stro army, including some due to be withdrawn from Kampuchea next weak. Page 4

#### **Gulf talks hope**

UN Secretary-General Javier Perez de Cuellar said he hoped the Gulf peace talks - ad-journed on November 11 would resume in January.

Sri Lanka jali break Sri Lankan rebels lobbed grenades into Colombo central prison and freed up to 32 politi-cal prisoners; at least two prisoners were killed in the raid.

#### **Jewish settler killed**

A Palestinian grabbed a gun from a Jewish settler near Nablus in the occupied West Bank and killed the settler and another Israeli before being shot dead by Israeli soldiers. Beirut clashes, Page 4

#### Korea prisoner plan

Park Jun Kyu, chairman of South Korea's ruling Democratic Justice Party, said the Government would free all but about 10 per cent of its esti-mated 754 political prisoners by Christmas. Page 4.

#### **Caviar under threat**

The Soviet Union's Volga-Cas-The sovier timon's voiga-cas-pian basin, sonree of most of the world's supplies of caviar, is fincing an "ecological disas-ter" unless urgent action is taken to stop pollution, accord-ing to a top Soviet biologist. ing to a t Page 2

five to six months behind schedule, but said they were not wholly to blame. Page 2 MEXICO is to adjust its exchange rate downwards by

one peso a day against the dollar during first half of 1989 as part of an economic package extending stabilisation and restructuring programme for further six months. Page 3

**VOLKSWAGEN**, West German motor group, expects group turnover to show rise of around 7 per cent, to nearly DM59bn (\$34bn) in 1988. Com-pany denied reported plans to shed 14,000 workers by 1992. Page 22

**RACAL Electronics of the UK** is talking to several defence companies in UK and Europe about selling or merging its £140m (\$260m) defence, radar and avionics businesses. Page

PERU's eight-week old miners' strike ended officially with agreement between Government and unions, but miners remain at odds with mineowners and there are fears the dis-pute could break out again. Page 29

TREL trial g chemi ting sa cals di stateand pa would

1,600.3 (-7.4)

Brent 15-day (Argus)

\$14.85 (-0.025) (Jan)

\$18.075 (+0.14) (Jan)

West Tex Crude

overspending. "If the Community was a private company its accounts would be heavily qualified," a court official said last night.

The auditors' observations on the erratic length of the agricultural financial year -1987, for example, was short-

MRS MARGARET Thatcher,

the British Prime Minister, yes-terday strongly reaffirmed the

UK Government's commitment to the Anglo-Irish agreement, despite the hitter diplomatic

row with Dublin over the Irish

Attorney General's refusal to extradite Mr Patrick Ryan, the

Irish former priest wanted in Britain for alleged terrorist

The far from defensive to hridge the g Derw world prices and normally replies of the Commission -

higher EC prices. Among the examples cited is a trader who imported prime beef from South America described as offal in order to evade import levies, and

**Thatcher stands by Anglo-Irish** 

Tom King, the UK Northern

Ireland Sccretary, will seek fur-ther explanation from Mr Brian Lenihan, the Irish For-

eign Minister, about the basis of the Irish decision.

the British authorities had sat-isfied Irish extradition proce-dures by providing sufficient

evidence and showing their intention to prosecute Mr

Ryan, prejudicial coverage by sections of the British media

and statements in the House of Commons made it impossible

for him to receive a fair trial in

"The House of Commons proceedings were widely and

Man#0

Money Marketa

Mr Murray ruled that while

accord despite row over Ryan

Mrs Thatcher said.

which are also published in the report - admit that cases of false stamps being used to discharge transit movements or to forge customs documents "are not infrequent."

exported offal declared as BC bans book price deals, Page prime quality beef in order to 8; Commodities, Page 34

Soviet Health Minister, told him on Sunday that 70,000 peo-ple had been killed.

"Chazov told me that, as of that moment, the number of victims exceeded 70,000 - prob-ably many more, hut 70,000 dead are accounted for," said Mr Pisar on his return to Lon-

nakan and Yerevan airports was dismally bad. Mr Gerasimov sombrely admitted that "the organisa-

One such witness said that

as the US would like and

"recognise Israel's right to exist," it is because the PLO

leadership is under pressure from its radical factions not to

make any more compromises.

The PLO also wants to have

The newspaper Sotsialiste-

tion of the rescue effort does have some shortcomings .... we were not pre-Continued on Page 20 Ethnic crisis rumbles after quake, Page 2

Like many other manufac-turers, IBM had expected a far faster growth in demand for such equipment to enable computers to communicate with each other. **Continued on Page 20** Lex, Page 20

THE RISK BUSINESS



#### Property Development is a risk but

ers, investors and banks reduce the risk inheren levelopment by obtaining independent profess re before they commit themselves to a scheme. advice before they or

ent team combines the detailed market knowle gency departments with the in-depth research data avai to us and our years of experience in the investment and

Our Financial Services division arranges all financial including bank, bond, mezzanine and ial aspect equity finance.

Reduce your risk with independent profes



the Power in Investment

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top Soviet D	Burope.	Page 24
KETS eneral index	STEPLING New York Nunchdime \$1.8443 (1.8428) London: \$1.828 (1.842) DM3.195 (3.207) FFr10.9125 (10.96) SFr2.6875 (2.6975) Y225 (226.25) DOLLAR	STOCK INDICES New York lunchtime Dow Jones Ind. Av. 2,155.05 (+11.55) S&P Comp 275.24 (-1.26) Londont FT-SE 100 1,752.6 (+4.7) World;
1988 Dec T RATES Eme Funds 816%	New York Iunchlime DM1.7409 (1.7408) FFF5.9503 (5.9515) SFr1.4651 (1.4648) Y122.78 (122.65) London: DM1.7475 (1.7405)	138.33 (Mon) Tokye Nikkei Ave 29,597.81 (-70.48) <b>Franktat</b> Commerzbank

Federal (8<sup>1</sup>2) 3-mth Treasury Bills: DM1.7475 (1.7405) FFr5.97 (5.95) vield: 8.13% (8.17) Long Bond: 1003 SFr1.4705 (1.484) Y123.1 (122.75) (10015) COLD yield: 8.91% (8.95) New York lates Comex Feb

London 3-month Interbanic close 13,3% (same) \$424.1 (-0.5)

ment between Govern- and unions, but miners in at olds with mineown- nd there are fears the dis- could break out again. 20 LEBORG, Swediah indus- group with interests in r, plastics, mining and icals, said it was negotia- ale of its Boliden chemi- ityision to Kemira, giant owned Finnish fertiliser aints company. Deal 1 create one of biggest ical conglomerates in pe. Page 24	Mrs Thatcher diamissed as "a great insult to all the people of this country" the suggestion by Mr John Murray, the Irish Attorney General, that prejudi- cial media coverage and remarks in the House of Com- mons about Mr Ryan had jeop- ardised his chances of a fair trial in Britain. But she also rejected criti- cism by backbench Conserva- tive members of parliament of the Anglo-Irish agreement, stressing that the row with Dublin centred on Irish extra- dition laws, which were "clearly not working."
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offences.

builting o	f public protest
	Spanish Premie Felipe Gonzalez
There	a general strike
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Defences Sardinia removes the welcome mat for US bases Employment: Asia's workers head for boom ing Japan . aces Technology: Advancing the state of the art Editorial Israel's turn to respond: The new challenge of the chip . nt Fibre optics: A revolution on the line ... xos Less Granada, Gateway, Racal, Siemens, bookand sellers Survey: China, tha world'a most populoua country, looks to the West ..... - 16 Financial Futures Gold .... Stock Markets 35-46 Intern 43-41 -Wall Street Ind. Capital Markets ..... -London 35-41 Letter's Lex ...

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#### By Charles Hodgson in London and Kleran Cooke In Dublin Britain would use the fully reported in the media," Anglo-Irish agreement to seek a commitment from Dublin for Mr Murray said in a 16-page statement explaining his deci-sion. "They raised the case to a an urgent reform of those laws. unique status and can only have intensified the impact and lasting effect on members of the public of what was being The Ryan affair is set to dominate what was to have been a routine session of the Anglo-Irish intergovernmental conference in Belfast today. Mr published in the written and broadcasting media.

"Further, the statements in the House of Commons must, because of their origin, carry particular weight with poten-tial jurors," Mr Murray said. The ruling brought an angry

response from Tory MPs and a sharp attack on Mrs Thatcher's handling of the affair from Mr Neil Kinnock, the opposition Labour leader Mr Kinnock claimed that the

Prime Minister's "poisonous" criticism of the Irish Govern ment's failure to arrest Mr Ryan on his return from Belgium had prejudiced the out-Ruling stokes Westminster fury, Page 10

Continued on Page 20

#### **EUROPEAN NEWS**

French

defend

tunnel

delays

tunnel

contractor

By Paul Betts in Paris

THE FIVE French construction

companies building the Chan-nel tunnel acknowledged yes-terday the project was five to six months behind schedule,

bnt defendad themselves

against complaints that they were to blame.

were to blame. The companies, Bouygues, Dumez, Spie Batignolles, SGE and SAE, are members together with five British con-struction groups of Trans-manche Link (TML), which has been contracted by the Anglo-French Eurotunnel con-sortium to design and build the tunnel.

The chairmen of the French construction companias

expressed initiation at recent public criticisms by Eurotun-nel for the delays in the con-

atruction timetable, claiming the blame ought to be shared equitably by both client and

Mr Jean-Paul Parayre, the chairman of Dumez and the former French co-chairman of the tunnel consortium, said

especially irritated by the abra-

sive and outspoken manner of Mr Alistair Morton, the British

co-chairman of the Anglo-French consortium. Under the contractual agree-

ments between Eurotunnel and

tha construction companies grouped in TML, only Eurotun-nel is entitled to speak in pub-

construction concerns.

Mr Francis Bouygues, the

chairman of Bouygues, under-lined the instrumental role of

than £100m. But Mr Parayre

argued yesterday that Eurotun-nel was lata in putting

#### Ethnic crisis rumbles on after quake John Lloyd on the Armenians' continuing hostility to Azerbaijan for them to show "wisdom and

ESS THAN a week after an earthquake whose death toll still climbs, it has not had the one benign effect which the Soviet leader-ship quickly forecast for it -. that of damping down the eth-nic strife between Armenians and Azerbaijanis. What has released

happened is that the central and local authorities have got tougher. On December 6, the There have been no further arrests and no further demonday before the earthquake, a strations, Karabakh Committee meeting of the Armenian Com-munist Party Politburo cen-sured the Ministry of Internal members said last night. This Affairs for not embarking on decisive measures to stop clashes along nationality kind.

is because, they say, people know that the police will use force, even shooting, against future manifestations of this The curfew, briefly lifted after the earthquake, has been reimposed on Yerevan. From

and the second second

Four days later, on Saturday 10, KGB officers moved to cor-10, KGB oncers moved to cor-rect their former laxity, arrest-ing five of the 12-man Kara-bakh Committee, the group which has done most to keep up the pressure for the Arme-man enclave of Nagorno Kara-Baku, the word is that anti-Ar-menian slogans are atill flaunted; and those Armenians in the city who wish to leave now cannot. This prohibition is presumably in response to Mr Mikhail Gorbachev's call to the bakh to be taken out of control of Azerbaijan, on whose terri-Armenian and Azeri Commi-Also on Saturday, police flight by Armenians and Azeris

broke up a pro-Karabakh rally in Yerevan, Armenia's capital, because of the huge problem the refugees pose for a shat-tered economy. Mr Gorbachev by firing into the air. A day later, they arrested two further activists from the harder-line Armenian Self Defence Group. Unconfirmed reports said four of the five Karabakh Committee members have since been

Committee supporter last night. "He hoped it would stop the struggle, but it is too deep for that. oviet officials, from Mr

S Gorbachev down, appear genuinely angered and distressed that this is so, and they attempt to pin the blame on a handful of "ambitious adventurers," some of whom

they have arrested. But the evidence is that it is more diffuse than that. A large section of Armenian society seems to bee irremediably hos-tile to the Azeris, who in turn feel the sama about Armenians. A graphic insight into the thinking of the Armenians is provided by a letter written by the Armenian Union of Writers to the USSR union of which it

is a part, in reply to an appeal

"I think that an equal

Preliminary studies carried

out by Prof Lukysnenko and his team at a laboratory of the Soviet Academy of Sciences Institute for Inland Water Biol-

ogy showed that 100 per cent of ordinary sturgeon were affected by disease, causing their eggs to spill out into the river in black closs.

The worst affected fish feed

on organisms living at the bot-tom of the river, where the pol-lution appears to accumulate. The beloga is a predatory fish, fooding on gravity

feeding on sprats. An ecological disaster is inevitable in the Volga-Caspian basin if no urgent and resolute

measures are taken to clean up

the river, Prof Lukyanenko

prized Beluga.

magnanimity." This, aaid the Armenian himself appears unpopular with the Armenian national-ists. "He has speculated on the disastar," said a Karabakh reply in the curtest ofterms, was out of the question: the Sumgait massacres of February 1988 (in which 31 Arme-nians died at the hands of Azeris) "is now knocking on Azerbaijan, it is a replay of the 1915 genocide (at the hands of the Turks) which took over

1.5m lives - nearly half of the Armenian people." Armenian people." Armenians, said the writers, were again being killed because of their race. In a pas-sage of both force and violence, it went on: "It is said that there is no such thing as an evil nation. It is true that all nations deserve respect, irre-spective of what stage of their historical development they may have reached. But it is

may have reached. But it is also impossible to disagree that every nation has its dregs. And the stunning discovery of 1988 was that there are nations incapable of distancing them-selves from their own dregs."

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Moscow aims to avert price rise backlash

#### By Quentin Peel in Moscow

good relations between Euro-tunnel and the construction THE Soviet Union is planning to pay direct compensation to consumers to offset the politi-cally-destabilising effects of price rises under its long-promcompanies would be a key factor in the success of the project. The decision of the French roups to call a press confer-ence in Paris yesterday to state their case reflects growing ten-sions between Eurotunnel and the construction companies, which appear to have been ised price reforms, according to a leading economic commenta-

tor. The aim is apparently to switch some of the massive subsidies currently paid on food prices and other essential goods and services - totalling Roubles 108bm in next year's budget - into direct payments to protect Mr Mikhail Gorbachev's regime against a huge popular backlash.

However, the Soviet central planning authorities have also been sharply criticised for their delay in publishing the price reform proposals for pub-

net is entitled to speak in pub-lic about the project. The French groups thus decided yesterday to hold a press con-ference at their own initiative and not as part of the TML, consortium to respond to the complaints which they claim are damaging to their overall Warning on Volga pollution

are damaging to their overall image as leading international By Quentin Peel in Moscow

THE Soviat Union'a Volga-Caspian basin, source of most of the world's supplies of caviar, is facing an "ecological disaster" unless urgent action is taken to stop polintion, according to a top Soviet biolothe construction companies in promoting the original project and said: "we regret the deci-sion which forced us to aban-doin our role as promoters." Eurotumnel has criticised the

Pollution levels in the river are hundreds of times higher than official norms, declinating m official norm

lic debate, and in releasing relithe black economy, exploiting able information to enable that shortages, than to work harder for bonuses in the official sysdebate to take place. Details of the thinking of tem.

betails of the ruling of reformers in the ruling Com-munist Party were revealed by Mr Otto Latsis, deputy editor of Kommunist, the Central Committee ideological journal, in an interview with the news-Compensation for price rises, he said, "is to be paid in order to observe social equality". It would therefore be biased in favour of the low-paid.

Paper Sovietskaya Kultura. He also stated flatly that the aim of the reform was to amount of compensation should be paid to all, not in percentages of one's salary or pension, but in roubles, based on the average consumer." Thus a common level of com-"change the structure of demand", to balance supply and demand, and end the chronic shortages plaguing the pensation would be paid for an

increase in meat prices, based on the average annual con-sumption of meat - some 64 kilos per year. Low-paid work-ers who might be expected nor-mally to consume less would Soviet economy. Without such a reform, he said, it would be impossible to raise the productivity of Soviet workers, for it would alwaya be more profitable to moonlight in

therefore benefit relatively more than the higher-paid, who normally buy more than the average. Mr Latsis admitted that

simultaneously raising prices and salaries had been tried in Ann salaries had been tritt in Hungary 12 years ago, and he rejected criticism that the reforms had provoked the economic crisis in that coun-

"The difficulties they face now are connected with mistakes made in other spheres and the fact that it is a small country with few natural resources," he said. "The aim of restructuring

retail prices must be market balance. Speculation, our home-grown mafia, all these are the results of imbalance."

Bulgarian leaders to debate economy By Judy Dempsey in Vienna

A TWO-DAY meeting of the Bulgarian Communist Party's central committee opened yesterday in Sofia in what appears to be an effort to tighten up the country's economic

The plenum, which will deal

specifically with economic mat-

ters, is the first to be held since

July when Mr Chudomir Alek-

sandrov, politburo member and central committee secretary in

charge of cadre policy, was dis-missed from both posts. Mr Stanko Todorov, President of the National Assembly, was

also dropped from the ruling politburo. Mr Aleksandrov, at one time

tipped as a possible successor to Mr Zhivkov, Eastern

Europe's longest-serving leader, favoured a more radical

economic reform programme which antailed a major

shake-up of the party appara-

broad smiles are starting to break out on the faces of West Germany's mostly prosperous citizens. Optimism, it seems, is in fashion and Angst has been banisbed, at least for a time. Never before, or at least not for nearly 40 years, have there been so many optimists in the country. That conclusion was reached by the Wickert Institute, a leading opinion research organisation. It found that almost one in four people expected 1989 to turn out bet-

ter than 1988. Wickert has carried out this end-of-year poll since 1951. Usually, said Mr Günter Wick-ert, head of the institute, the proportion of optimists is around 15 per cent. Not sur-prisingly, it was at its lowest in the early 1950s before the post-war economic revival was

really under way. But this time, 24 per cent of those canvassed said they were more positive about the coming year. Why? The main rea-sons given were continued economic growth, the fact that world peace looked mora secure, people's growing con-sciousness of the environment,

Tug-of-war over use of---and high living standards. Only 5 per cent of the 3.410

By Andrew Fisher in Frankfurt SPECULATION that the Bundesbank, the West German central bank, could raise its scenario, it would be quite easy to see a Lombard rate increase," said Mr Mushtaq Lombard emergency funding rate by half a point to 5.5 per cant this week continued Shah, an economist with Phillips and Drew. But he and other economists IT may not be too apparent on Frankfurt's wintry streets, but did not see this as inevitable and certainly not this week. Also, it could provoke political opposition from abroad.

**MBB** and **Daimler** talks

given fresh impetus to those

who have expressed donbts

The main difficulty is that

the Free Democratic Party, the

free-market junior partner in the centre-right coalition, and

the most reluctant supporter of

the merger in the Government, is accusing Daimler of going back on promises about treat-

ment of losses in European Airbus - in which MBB holds

the German share. The FDP believes that the profits on MBB'a military prod-ucts should be taken into

account before Daimler quali-

fies for government support for MBB's Airbus losses. Mr Otto Lambsdorff, the new

hit last-minute hitch

about the deal.

By David Goodhart in Bonn

THE long and controversial

takeover negotiations between

Daimler-Benz, West Germany's

largest company, and Messer schmitt-Bölkow-Blohm (MBB) were again in jeopardy last night as Mr Edzard Reuter, the

Daimler chairman, met Mr

Gerhard Stoltenberg, the Finance Minister, and Mr Hel-mut Haussmann, the Econom-

It remains unlikely, but by

no means impossible, that the government-inspired deal will be allowed to fail. Mr Reuter has warned all

along that there is strong scep-

ticism within Daimler about

the merger and the last minute stumbling blocks may have

Optimism

drives out

German

By Andrew Fisher

Angst

in Frankfurt

ics Minister.

Germany and the US would provide a clearer picture. The Bundesbank yesterday

will be announced today, indicating how far the Bundesbank is prepared to go in tightening monetary

policy. Also eagerly awaited by the market today are the US trade figures for October. If these show a higher deficit than expected - market estimates are for around \$9bn, bnt

Phillips and Drew, the UK stockbrokers, are going for \$10.5bn - then the US Federal Reserve Bank could be prompted into raising its has been growin discount rate to prevent a fall most detern in the dollar. "Under that anti-inflationists.

**Speculation over** Lombard rate rise

vital.

next week.

yesterday, but dealers were mostly holding their breath in the hope that today's events in

announced another securities repurchase tander on an anction basis under which banks have to pay the rate they bid rather than an average worked out from all

bids. The terms of the allocation

The Bundesbank's policy-making council meeting tomorrow will have to take the full range of domestic and external factors into account in deciding whether or not to

restore the usual 2.0 percentage point differential between the German discount and Lombard rates and in setting its money supply target range for next

FDP chairman, and Mr Helmut

Haussmann, the new FDP eco-nomics minister, are both seek-ing to assert their political muscle and will not allow Mr

Renter to "privatise MBB's profits and nationalise its

osses", as Mr Lambsdorff put

The othar problem is whether the Länder (state) gov-ernments with stakes in MBB will allow Mr Reuter the free

hand in rationalising the com-

pany which he insists is

If agreement is reached

despite these two problems the deal will be sealed at a Daimler

aupervisory board meeting

year. Market opinion yesterday remained divided on whether the Bundesbank would put up the Lombard rate tomorrow.

Call money edged over the 5 per cent level at which the Lombard rate stands. With money supply growth above the 3-6 per cent target range again this year and inflation edging towards 2 per cent, pressure for a rate rise has been growther that the

has been growing among the most determined of

people quizzed in both years thought next year would be worse than this one. A year ago, the pessimists accounted for 12 per cent, the same as the optimists. The number of those resignedly expecting no change has diminished from 76 to 71

per cent. Mr Wickert thought the level of optimism was somawhat exaggerated, however, espe-cially when related to tha "Gorbachev factor". Noting that the intentions of the Soviet leader still had to show results, he added: "We were very surprised that the eupho-ria was so strong".

Ironically, the rise in optimism comes as economic growth is expected to slow pext year.

#### **Ministers** near deal on Italian steel plan **By William Dawkins** in Brussela

INDUSTRY ministers in the European Community last night stood on the brink of agreeing a controversial rescue pian for Italy's debt-ridden state-owned steal Industry, leaving West Germany as the only member state unable to give its consent.

Mr Dieter Von Wurzen, Bonn's junior Economics Minister, was alone among his 12 EC counterparts in refusing to accept a European Commission compromise that would allow Rome to pay two-thirds of a proposed Italian steel aid package now and apply to Brussels for the rest in two years' time.

This is a big compromise for Italy, which originally planned to inject L7,670bn (£3.25bn) into the loss-making Finsider, now renamed Ilva, and shed 20.000 jobs to return the group to profit by 1990. It means Rome could only guarantee L5,113bn.

However it needs member states' unanimous consent to go ahead, as would any future aid injections under the Commission compromise. Bonn argued that Italy should not be allowed to pay anything until it guaranteed extra closures on top of the 1.18m tonnes of hot rolled capacity it has already pledged for llva.

Mr Von Wurzen said more was needed to make an impact on the EC's 7m-8m tonnes of hot rolled coil-making over-capacity. West German officials hinted that their target was an extra 1.2m tonnes of rolled coil capacity, the exact size of the sensitive Bagnoli rolling mill near Naples.

EC budget savings By David Buchan in Strasbourg

A TUG-OF-WAR has developed over whether the European Community's exceptional Ecu3.8bn (£2.5bn) bndget savings for 1968-99 should go in part in Third World food aid, or in their entirety into memor in their entirety into member states' coffers. In its final debate on the

Community's 1969 budget, the European Parliament budget committee yesterday recom-mended to the assembly that it restore Ecu39m to the food aid budget which the EC Council of Ministers had earlier cut back.

The parliament, which has the last say on this category of spending, will vote tha 1989 budget into law tomorrow.

budget into law tomorrow. Tha logic of the food aid request, supported by all major political groups, is that the same increase in world food prices that has narrowed the gap with EC food prices and so saved Brussels millions of ecus in export subsidies, has hit As a result, the Community, which buys some food on the world market to help develop-

ing countries, can no longer deliver the food aid quantities it earlier promised. Chiefly due to last summer'a US drought, the world price of milk powder had risen from Ecu735 to 1,800 a tonne and that of cereals

together the financing for the project which in turn caused delays in the ordering of key from Ecu70 to 115 a tonne. Backed by the Commission equipment. Other reasons for the delays have been teething problems with tunnel-boring machines and more difficult than expecthe Parliament is sticking to its demand for an automatic budgetary formula to guaran-tee fixed food aid volumes to ted geological conditions on developing countries. But speaking for the Greek presidency of the Council, Mr both sides of the Channel. Mr Parayre said the construction companies would Yannos Papantoniou, tha Athens Budget Minister, said make every effort to catch up the 5-6 month delay. Mr Parayre said 1500 metres EC governments could never

EC governments could never agree to any such automatic transfer of budget money. The food aid issne apart, tomorrow's vote will bring to an end an unusually harmoni-ous budget procedure between Council and Parliament, made possible by their new five year (1988-92) agreement on broad granding calibras and each sur had so far been dug on the French side, of which 750 were under the seabed. On the UK side, about 5,000 metres had been dug, of which about 4,900 were under water. He also confirmed there were discussions between Eurotan-nel and TML over penalties for construction timetable delays, spending cellings and cash sur-pluses. The final hudget level is likely to be not far off the but added it was not normal to disclose in public differences which were "part of the normal course of business relations". Ecu44.6bn agreed by EC minis-ters last month.

the stargeon population, Pro-fessor Vladimir Lukyanenko told Pravda. for tunnelling delays which the consortium claims are respon-sible for increasing the cost of the £4.7bn project by more

His precise revelations, based on a comprehensive survey of the sturgeon population, will fuel an increasingly heated political debate in the Soviet Union over disregard of the environment by the country's big industrial ministries and

enterprises. In spite of its high price, caviar is a popular and much-prized food in the Russian diet, an essential item on

big outcry. Professor Lakyanenko iden-tified the big Astrakhan gas-condensate complex as a major cause of the pollution, saying it had pumped im tonnes of sul-phuric anhydride into the atmosphere in the course of 1987 - far more than initial storgeon were only 70 per cent projections. He told Pravda that the affected, he said, and only 30 per cent of the most highly-

restaurant menus and at any

important celebration. Any sudden shortage would cause a

Volga river contained 700 times more petroleum products than the permissibla concentration, and 113 times more surface pollution from synthetic products. "Hnge oil alicks ware observed on the river last sum-

big outcry.

observed on the invertist sum-mer, dotted with hundreds of dead sturgeon," the newspaper reported. "Dead fish were seen floating down the river end-lessly, all through the first half of June."

#### Jail urged for Brezhnev son-in-law

#### THE Soviet state prosecutor ous crimes".

demanded yesterday that Mr Yury Churbanov, son-in-law of former Kremlin chief Leonid Brezhnev, should be jailed and also spend time in a labour camp, for corruption, Reuter reports from Moscow. Proaecntor Alaxander Sboyev said Mr Churbanov,

First Deputy Minister of the Intarior under Brezhnev, should serve five years in jail and five years in a labour camp for his especially seri-

Mr Churbanov, 52, showed no emotion as Mr Sboyev asked for the sentence. Under the criminal code of the Rus-sian Federation, the one-time top policeman and husband of Brezhnev's daughter Galina could have been sentenced to death. The prosecutor also asked

for 15 years in a tough regime labour camp for Mr Khaidar Yakhyayev, former Interior Minister of the Central Asian

have not been named to the politburo. The plenum comes at a time when there is growrepublic of Uzbekistan, accused of giving bribes to Mr Churbanov and taking them from subordinates. Both men, Sboyev told the Military College of the Soviet Supreme Court, had earned

ing uncertainty about the direction, not only of the economic reforms but also of the pace of glasnost, or openness. "specially severe sentences because of the political harm

they have caused to the authority of the Soviet state". Judge Mikhail Marov and his Shadow over two assistants were not expec-ted to hand down sentence for **US** bases talks at least a further two weeks.

THE 12th round of talks on the future of the four US military bases in Greece began in Athens yesterday under the shadow of the imminent expiry of the current agreement on the facilities' operation, and of acute US-Greek tension over terrorism, Andriana Ierodi-aconou reports from Athens. Athens is under attack in Washington for its decision last week not to extradite to Italy suspected Palestinian ter-rorist Mr Osama al Zomar, wanted for alleged involve-ment in a 1862 attack against a Rome synagogue THE 12th round of talks on the

Rome synagogue. The US has 17 months after the expiry of the current five-year defence and economic co-operation agreement (DECA) on December 21 in which to dismantle the bases and withdraw its personnel. The two sides may continue negotiating for a new agreement during second question asks whether that period.

#### FINANCIAL TIMES

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apring, that regions cannot hold referenda of any kind on foreign policy questions. For the issue is exquisitely political. The referendum is only computation but how long Also, having seen an impres-sive petrochemical industry developed in the 1970s, and the Sards is completed by their own language, which comes in four regional variations, and a striking preference for each others' company, whether they be in Rome or London. Without this sense of com-munity, it is doubtful whether restructured down into half its size in the 1980s, the Sards are

the Partito Sardo D'Azione, with its Communists, Radicals and the Green allies, could have made such an issue of the US presence at La Maddalena. The latent nationalist sentiments of some Sards are offanded ("no-one asked us whether the Americans could have our land"), and the Psd'az and its allies are hoping that resentment will translate into a good harvest in regional elections next year. The Psd'az and its allies

have set ont to remedy Mr Andreotti's failure to submit ian people.

But the campaign ran into a solid barrier on November 21 when Italy's Constitutional Court, on application from the Rome government, suspended a consultative referendum which was due to be held in Sardinia on December 11. The government will main-tain, with a good chance of success at a full hearing in the

Independent Sardinians bridle at American bases

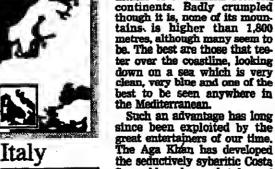
John Wyles, recently in Cagliari, examines the opposition to military facilities in Italy's 'other world'



island. Of late, however, a significant number of them have withdrawn the welcome mat for the American military presence with which Sardinia has been endowed. Indeed, this campaign seems unique in Italy where no other region has

thrown up a movement with anti-Amarican, anti-nuclear and anti-militarist strains. Sardinia is indeed another

world which feels itself too easily taken for granted on the Italian mainland. The island may just be able to stomach an Italian army base, two radar stations, a Nato air base, and an Italian missile testing area, but normally placid men and women in Cagliari are in a belated bad temper about the agreement signed by Glullo Andreotti's government in 1972



which allotted a slivar of north-east Sardinia to US military use.

A nuclear submarine base was built at La Maddalena which now houses around 2,200 US service people. It takes around four hours to drive thare from Cagliari, the island's main town, and even longer if one strays from the island's single, bifurcated main road. Traffic signs are in short supply, particularly in the mid-dle of the island's numerously nondescript villages, and those that are evident are sufficiently contradictory to challenge tha navigational instincts of a Vasco Da Gama.

Topographically, the island looks like it was caught in the middle of a collision between continents. Badly crumpled

illisation.

best to be seen anywhere in the Mediterranean. Such an advantage has long since been exploited by the great entertainers of our time. The Aga Khan has developed the antertainer of our time.

the seductively sybaritic Costa Smaralda whose clutches of huxury seaside villas are only a telescope length away from La Maddalena.

Meanwhile, at the south of the island, one of Italy's most celebrated emigres. Charles Forte, has constructed his own vision of recreational paradise. The Sards are slightly uncer-tain about their tourist industry. They are glad of the 100,000 or so jobs which take a lot of strain off a 20 per cent unemployment rate (only Cala-bria's is worse in Italy). But one banker spoke for many in his relief that the trada was only seasonal and in his worry about "turning the Sardi into a people of waiters and wait-

### wary abont putting copious eggs in single baskets. Plant closures gave a nasty boost to unemployment in the early 1980s. Now the figures suggest that an admittedly

backward economy based on a bit of agriculture, a bit more of industry and much more of tourism and services is fight-ing back. Since 1980 average per capita incomes have risen from 68.7 per cent of the national average to 35.8 per cent, a much greater leap than anywhere else in the Italian

south. The Sards are not a people who naturally turn to welfare, but neither have they shown much entrepreneurial talent, although there is some evi-dence that it is now emerging. Much more apparent is the conviction of being different from other Italians. Scratch a

### the bases agreement with Washington to the Italian par-liament, much less the Sardin-But the campaign ran into a

Sard and you find a sense of identity which will be proudly traced back to the Nuragh civ-

#### This first appeared in around BC 1600, and its modern legacy is the 7,000 remnants of Nuraghe forts scattered around the island. The otherworldliness of

Ona can see why Rome would prater not to take the risk: Italy plays host to several Nato and American bases and is about to accept another Nato fighter bomber wing on its eviction from Spain. The anti-

nuclear movement so far has managed to halt nuclear gener-ated electricity and it would be very embarrassing should Sardinia provide the basis for a national campaign against

Italy's nuclear collaboration within the Nato alliance.

only consultative but how long could the US base survive a majority "yes" to the question: "Are you against the presence in Sardinia of foreign military basis established by international accords not subjected to parliamentary approval for the purpose of sheltering and sup-plying nuclear powered and nuclear armed submarines?" A

the voter wants to make Sardi-

nia a nuclear free zone. The best informed guess is

that the Psd'az and their allies

would win their referenda

because apathy would keep the turnout low, permitting the zealots to poll to victory.



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#### **AMERICAN NEWS**

Sourrouille struggles to

Argentina's Economy Minister talks to Gary

### هكنامنالخصل

#### Mexico includes US retail sales beat daily devaluation predictions in economic plan By Anthony Harris in Washington US RETAIL sales in October

#### By Richard Johns in Mexico City

.. . . ..

MEXICO will adjust its exchange rate downwards by one peso a day against the dol-lar during the first half of 1969 as part of an economic package extending its stabilisation and restructuring programme for a further six months. The new administration of

Mr Carlos Salinas de Gortari believes the six-month time-frame, and the prospect of Mexico's real interest rates remaining substantially higher than those abroad, particularly in the US, will be sufficient to dampen speculation about the future of the peso and stem capital flight.

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they face other spheres t it is a small len Latural

#### restructuring is: De market

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February, was one of the es and wages. The revised programme has been named the Pact for Eco-Growth (PECE).

In announcing the new mea-sures, President Salinas prom-ised that next year would "see the end of the crisis and the beginning of the new economic era which Mexico deserves."

After six years of stagnation the hope is that Mexico will be able to resume growth in the second half of 1969. giving a modest L5 per cent-or-so incre-ment for the year as a whole.

Under the agreement with business and union leaders, petroleum, electricity and domestic gas prices, as well as other essential services, are to Continuation of eusterity policies and the fight against inflation is clearly aimed at creating a sound framework of confidence for the renegotiabe frozen for six months. Other measures are: • modification of the tariff

tion of the country's \$104bn (£56bn) external debt and a drastic reduction in the transstructure, presumably to be fer of financial resources aimed at reducing imports of luxury goods.

abroad. Over the six-month period, the peso would be devalued by 7.4 per cent against the dollar. stimulus for agriculture through a revision of guaranteed prices. The present rate of 2,281 pesos • elimination of regula to the dollar, set at the end of discouraging investment. elimination of regulations

**Brazil inflation threatens pact** 

#### BRAZIL'S two-month-old social formula, should go up just over pact on prices and wages came

under new pressure yesterday when government statistics revealed that December inflation looks set to hit 28 per cent, three points above the negotiated target, writes Ivo Dawnay in Rio de Janeiro,

Under the tripartite pact, Paulo this week. Mr Mario Amato, president of the state's powerful industri-alists' federation, Fiesp, told the minister that the Governemployers, unions and government representatives have attempted to slow inflation by setting a ceiling for December price increases of 25 per cent. Wages, under a long agreed

and November rose twice as fast as previous market estifast as previous market esti-mates had suggested, accord-ing to new figures from the Department of Commerce. At the same tima, the National Association of Pur-chasing Managers published its most optimistic assessment of the business outlook for five years. The members expect 1980 to show stronger growth tial components of the Eco-nomic Solidarity Pact, which also included a freeze on prices

nomic Stabilisation and

1969 to show stronger growth than 1988 by a 54% to 13% margin, and also forecast that The crawling-peg adjustment is a response to the continued pressure on Mexico's balance of payments, which this year is inflation will drop from 5 per cent to 3.7 per cent. Market reaction to these figexpected to record a deficit of \$2bn compared with the 1987 surplus of \$3.7bn. At the same time the National Minimum Wage Com-mission has raised the mini-

marset reaction to these fig-ures was subdued, as tradens appeared reluctant to take positions ahead of the mer-chandise trade figures tomor-row, and the outcome of the Rederal Onen Market Constant mum wage level by 8 per cent. A worker in Mexico City Federal Open Market Commit-tee (FOMC) meeting today. The November increase in should not now receive less than 8,640 pesos (£2) a day.

retail sales was 1.1 per cent, against market forecasts of 0.5 Otherwise, salary and wage levels are to be left to negotiaper cent, while the October tion, but the private sector is being asked to ebsorb any increase was revised to 1.6 per increases without raising prices except where production costs exceeded them. cent Much of the strength in both

months was due to car sales, which have been boosted by heavy discounting of 1988 models. The October increase is now estimated at 4.9 per cent, about twice the previ-ously reported rise, and a further increase of 2 per cent is reported for November. Sales of goods other than cars rose by 0.9 per cent in both months.

Sales in both months were snpported by a windfall increase in real personal incomes in October, when tax rebates and payment of annual productivity bonuses raised ncomes by a percentage point. The financial markets have for some weeks been expecting

the Federal Reserva to take action to check the strength of domestic demand, and to raise the psychologically important official discount rate, which stands at 6.5 per cent, well below money market rates. However, the FOMC may

well find the latest evidence unusually hard to assess. While the figures released today suggest a strong surge of growth, reports from mem ber banks of the Federal Reserve present a much more subdued picture, as do more recent reports from the main retail chains.

T is easy to understand why Mr Juan Vital Sour-rouille, Argentina's Economy Minister, chain smokes, occasionally stabbing the air with a cigarette as he makes a point. He has rather a lot to Stalled talks with the International Monetary Fund; scarcely controlled inflation reaching 362 per cent this year; truculent public sector unions A ..... who always get their own way; tax evasion a national sport;

contend with.

fiscal deficits which never stay

in line; and carbonists contin-uously poking fun. It's enough to try the patience of a saint. But Prasident Raul

Alfonsin's Radical Party stands

a chance in next May's presi-dential election only if it can

convince a population consid-

erably poorer than when the

Government took office that

things will improve. The minis-

ter who bears the higgest

responsibility for his party'e chances is Mr Sourrouille. He was responsible for the

Austral Plan of 1985, which

tried to curb an inflation rate which reached 526 per cent in

1984. Its temporary success was

partly due to public willing-ness to accept austerity mea-snres from a government

which, at the time, had the wind of democratic popularity

in its sails. That wind is now

Three years on, Argentina

faced exactly the same problem

- July's inflation running at 25 per cent, with clear indica-

tions of worse to come. Mr

Sourrouille's answer was to

launch the Primavera. or

Spring Plan. It brought down

inflation to almost 6 per cent

for November, and there it will stick, according to independent economists, before slowly ris-

Inability to cut state expen-diture is the key reason behind

Argentina's failure to persuade

the IMF to come up with bad-ly-needed fresh loans to service

To satisfy the IMF, Argen-

tina has to cut state spending

and/or increase revenues.

Impotent in the face of massive

tax evasion, the altarna-

tive - sacking thousands of

state employees - is a certain

scarcely e breeze.

ing again in 1989.

a \$56bn foreign debt.

stick to his course

Sourrouille: patient approach

vote lose According to commercial bankers and IMF officials, Argentina is asking for \$4.700 to cover outstanding interest payments for 1988-89, \$1.2bn from the IMF, and the rest from the banks. Bankers are unwilling because Argentina is now \$2bn in arrears from previous loans. With interest payments this year of \$5bn, can Mr Sourrouille confirm precisely what Argentine is looking for in new money ? "That type of onestion 1 don't know if I can answer. I

am the Economy Minister of Argentina, I reply to questions of a general character. What I can say is that Argentina always tries to finance with its own resources half its interest payments, the other half to be financed by international banks and multilateral organi-

sations Part of Argentina's tiff with the IMF is the frequency with which it fails to stick to agreed targets. The most striking example concerns the fiscal deficit. The budget for 1988 - in any case more than e year late - presented to the IMF at the beginning of the year a fiscal deficit target of 2.9 per cent of GDP. There is now not a single independent economist outside the Radical party who accepts this figure. Highly conservative estimates place it at 5.5 per cent, while political opponents suggest as much as 13 per cent. Does Mr Sour-rouille feel they have a point? "The question should be put

to those who suspect the gov-ernment. If a person who does not have access to information

### Argentina 'made a deal with mutineers'

By Gary Mead in Buenos Aires

GENERAL Humberto Pompilio Ferrucci, commander of Argentina's Fifth Army Corps in Bahia Blanca, has confirmed that an agreement was signed between rebel leader Colonel Mohamed Ali Seineldin and army chief of staff General Jose Dante Caridi, and that it was responsible for ending the

four-day mntiny two weeks the basic objectiva of the debtor countries is the recov-Gen Ferrucci, who did not participate in the rebellion, said: "If two people are brawl-ing and they stop, then it's ery OI their capacity for growth

agreement

while preserving stability. We think the traditional methods of the IMF do not meet that objective, particubecause there's an agreement." He added that the terms of the pact involved a "moral recognilarly because they require a tion" of the army, an increa transfer of resources which puts in doubt investments necin state spending on the armed forces and "a serious and pro-found handling of the legal ssary for growth." He denied the accusation of

a growing number of Argentine exporters that the dor tic currency, the Austral, is now seriously over-valued, endangering the country's frag-ile manufactured export sector. Such a criticism has even been levelled by the Foreign Trade Minister of Cordoba province, Mr Jose Giai, a personal eppointment of Mr Eduardo Angeloz, governor of Cordoba and the Radical party's presi-

dential candidate. Bnt despite the problems caused by the strong Austral, the Primavera Plan is about sticking plaster in the right places, so that the patient can limp through to May 1969. A stable over-valued currency means the US dollar can be bought cheap, at a time of the year when all minds turn to foreign holidays. What is happening to exporters, both agri-cultural and industrial, can be

Those longer-term problems will land on the shoulders of a new Minister since, even if he wins, Mr Angeloz will certainly choose his own man for the job. Does Mr Sourrouille have any words of wisdom for who-

The problem of the Economy Minister is that he has perma-nently to arbitrate between conflicts. He needs mnch patience, because in the flurry of events it is very possible to feel like being in the middle of a cloud, having lost the sense of east, west, south and north. It is essential to keep in mind what the correct route is."

When the mutiny ended on December 5, the Government insisted that no agreement had been reached with the rebels and that they had surrendered unconditionally. That was greeted with considerable scep-

ticism at the time. Gen Ferrucci's statement has convinced many more that Col Seineldin's forces wrung promises from the Government, which could not muster enough loyalist troops to crush the rebellion by force, as Presi-dent Raúl Alfonsín demanded on December 3.

On Tuesday, the armed forces received a pay increase of 20 per cent plus an individual lump sum payment of £55 per man, the rise being given to both serving and retired personnel.

On the issue of an amnesty for officers involved in human Some of the mutineers have begun to receive military pun-ishments for participation in rights abuses during the "dirty war" under the last military dictatorship, Gen Ferrucci said the rebellion. One lieutenant, who was told to take eight the issue was contained in the "legal" point of the agreement. He said there was no deadline tanks to crush the rebellion bnt changed sides when he arrived, has been sentenced to for implementation of the 45 days' imprisonment and a change of post

#### Bank chief tries to revive **IMF** debt negotiations By Gary Mead in Buenos Aires

MR JOSE Luis Machinea. president of Argentina's Central Bank, is in Washington today to try and revive talks with the International Monetary Fund which have been stalled since August

August, Argentina has requested a new IMF stand-by loan of \$1.2bn, but failure to tackle fiscal deficit problems has so far left discus-sions deadlocked. Mr Machinea will also see representatives of commercial banks, who are con-

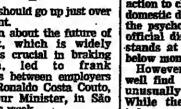
commercial banks, who are con-sidering Argentina's request for new loans of \$3.5bn. Talks with the IMF nn loans have been under way since Feb-ruary when Argentins told the IMF that inflation would be brought down to 4 per cent a brought down to 4 per cent a month by the end of the year and that the fiscal deficit would be

that the fiscal deficit would be cut to 2.9 per cent of GDP. Those figures have since been revised upwards by the Govern-ment, which says public sector deficits will be 3.9 per cent of GDP. Inflation, which soared before August (when it peaked at almost 30 per cent), was brought down to 5.7 per cent in Novem-

26 per cent Concern about the future of the pact, which is widely viewed as crucial in braking

inflation, led to frank exchanges between employers and Mr Ronaldo Costa Couto, the Labour Minister, in São

ment was failing to keep its part of the agreement,





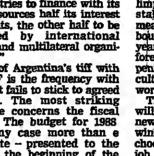
worried about later.

ever that might be? "To have a lot of patience.

ber, the lowest this year. How-ever, independent economists say neither target will be met, infla-tion will begin th climb in December and January, and the fiscal deficit for 1968 will be at loast 6 mer court of GDB east 6 per cent of GDP.

When the Government launched emergency economic measures in August it won voluntary price restraints from industry. That has so far brought inflation under some control, although producers are restless because their costs have not kept because their costs have not kept in line with the retail price increases agreed with the Gov-ernment. The IMF argued that the August plan failed to tackle public spending. Without further fiscal deficit proposals, the Fund is reluctant to offer new loans.

It is believed that Mr Machines It is believed that Mr Machinea will suggest tax changes, includ-ing a cut in VAT from 15 to 7 per cent, the re-imposition of VAT on all food items except bread and milk, and substantial excise duty increases. It is thought such moves are unlikely to persuale the IMF in extend a new hom. the IMF to extend a new loan.



### WE'RE HOPING THAT 1989 BE A BLACK YEAR FOR VIL BRITISH INDUSTRY

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### **Bankers** become **Delhi fixes** more hopeful on **Koor settlement**

By Stephen Fidler, Euromarkets Correspondant

FOREIGN BANKERS of Koor Industries, the troubled Israeli group, were yesterday express-ing moderate optimism that the company's debt problems could be resolved out of court.

After meetings on Monday of the country's 25 foreign bank creditors, bankers said that while many doubts remained about proposals for resolving the company's debt problems, it appeared a large majority of foreign banks do not favour having the problem resolved by a court-appointed liquida-tor

tor. Bankers Trust – the New York bank which is the com-pany's leading foreign creditor – applied in Tel Aviv on Octo-ber 9 for a court order to wind up the company. It wants the present management, led by Mr Benjamin Gaon, Koor's chief executive. to be removed and replaced by a court-ap-pointed liquidator.

According to one banker present at Monday's meeting, Bankers Trust had gone "out on a limb" with its application to the court and there was lit-tle support for its action. A spokesman for the bank in New York said that it was its company to freeze repayments on short-term debts until 1990.

#### **Israel relaxes controls** on foreign borrowing Andrew Whitley in Jerusaiem

THE Bank of Israel has relaxed make little difference in pracits previously strict controls on foreign borrowing, in a hid to aid export industries adversely affected by high domestic interest rates and inflation approaching 20 per cent a year. The measure, which took effect quietly on November 20, represents a modest, first step already doing so - albeit after securing permission from the

towards the complete abolition of foreign currency controls being advocated by Mr Amos Rubin, economic adviser to Mr Yitzhak Shamir, the Prime Minister.

Exporters, whose access to foreign currency-denominated credit had previously been lim-ited to the domestic branches of Israeli banks, can now shop from it. around to obtain the cheapest rate available from any source abroad. This change, the Bank of Israel argues, should intro-

intention to reach a solution that satisfied all creditors. Bankers Trust headed foreign bank syndicates which lent \$150m to Koor, and it is in default on \$20m to Bankers Trust of its obligations. Yssterday, the discussion

narrowed to a six-bank steering committee, comprising Manufacturers Hanover, Barclays of the UK, Creditanstait of Austria, BfG of West Ger-many, and two South African banks, Volksas and First National Bank of South Africa,

formerly Barclays South Africa, formerly Barclays South Afri-can subsidiary. Bankers Trust is an ex-officio member. The committee also had talks with Israeli creditors led by Bank Hapoalim. However, Bankers Trust is going ahead with its court action. Next Tuesday, the Tel Aviv court rules on Roor's application to have the Bank-

application to have the Bank-ers Trust move dismissed. Details of the bank proposals remained unclear yesterday, although bankers said the pro-posals put forward to them by Mr Gaon on Monday are not satisfactory. Banks, for exam-ple, oppose attempts by the company to freeze paraments

date for elections in key states By K.K. Sharma in New

ELECTIONS for naw legislative assemblies in the key sonth Indian state of Tamil Nada and the northeastern states of Nagaland and Misoram will be held on Jann-ary 21, next year, the Electoral Commission announced yester-

Commission announced yester-day. The polls are being widely seen as a "mini-general election", the results of which are likely to influence Mr Rajiv Gandhi, India's Prime Minister, in deciding on whether an early general elec-tion should be held. General elections for a new

parliament need not be held until December, 1989, but there is widespread specula-tion that Mr Gandhi will not wait until then because of several factors that are favoura-ble for the ruling Congress-I party. These include the disar-ray of the squabbling opposi-tion parties and the considerable improvement in the

Indian economy. Mr Gandhi, who has been Mr Gandhi, who has been the centre of several contro-versies over alleged payoffs in defence deals for nearly two years, has lost much of the shine from his image apparent when he won general elections with a sweeping four-fifth's majority in December, 1984,

soon after the assessination of Mrs Indira Gandhi, his mother, by Sikh extremists. In the last few months, how-ever, if is thought that he has-retrieved some of the support

he lost but there is no clear indication where Congress-I stands. Next month's "mini-election" will help to reflect this; hence the importance of the poils in the three states.

the polls in the three states. A clearer assessment would have been available if by-elec-tions to 11 vacant parliamen-tary seats had been held at the same time, as had been expec-ted. However, in a controver-stal decision, the Election Commission decided against holding the by-elections because parliament has less than a year's life left. The most important of the polls will be the election in Tamil Nadu where Congress-I is making a strong bid to return to power after nearly two decades of being in opposi-tion in the state.

central bank. "It is very good from a bureaucratic point of view, as it will mean less red tape," said Mr Arnon Tiberg, managing director of the Manufacturers Association, the principal employers' body. "But unfortu-nately it won't bring any new companies into the circle" of those capable of benefiting from it.

In a recent interview with the Financial Times, the Prime Minister's economic adviser tion in the state. Tamil Nadu, like the states of Mizoram and Nagaland, has been under president's rule (or argued strongly in favour of opening up the country to for-eign capital "at rates which the direct government from New Delbi) for nearly a year following the callapse of constitu-tional government in the state soon after the death of the charismatic Chief Minister and former matinéa idol, Mr M.G. Ramachandran, whose locally-based party ruled the state for nearly a decade. Mr Bamachandran's party, Mr Bamachandran's party, the All-India Anna Dravida Munnetra Kazagham, has now split into factions led by his widow and a former actress who starred in many of his films.

### Asia's workers flock to Japan Ian Rodger on problems caused by an influx of immigrant labour

A first-time business visi-tor remarked the other day that Tokyo must be the only capital left in the Japan (000's) industrialised world where natives make the beds in the 12 -

**OVERSEAS NEWS** 

hotels. hotels. Japan has long resisted immigration of any kind, partly out of a deeply rooted renophobia hnt mainly because, until recently, it was not a rich country and did not have jobs to spare.

Now, however, Japan is rich, its economy is booming and there are labour shortages in many sectors - ingredients which are irresistible to ambi-tions people in the many poor countries in the Asia-Pacific region. In the past two years, there has been a sudden surge of immigration into Japan, especially from the Philippines, Pakistan, Bangladesh, Thai-

land and China. The presence of these immi-grants, although still a minis-cule 150,000 or so in the total cute 150,000 or so in the total Japanese population of 121m, is causing Japanese leaders increasing concern. On the one hand, they fear a deterioration of social stability in Japan, on the other, they cannot turn their back of the the term their backs on their poor neighbours' needs. "It is a very delicate, touchy issue," accord-

ing to a foreign ministry The only legal way a for-eigner coming to Japan on his own can obtain a work permit is if he has a skill that is

needed or wanted in the coun-try. Unskilled workers are pro-hibited. Also, those who come as students are allowed to work 20 hours a week to help

cover their expenses. Analysis say most of the for-eign workers in Japan today eign workers in Japan today are either posing as students or have entered the country as tourists and then quickly dis-appeared into the already well developed underground net-work of connections that leads to jobs in bars, nightclubs and the construction industry the construction industry, Take the case of Mr Karin Newaz, a 27-year-old Banglade-

S Africa bans

insulation fire hazard in mines SOUTH AFRICA, under pressure to improve safety standards in its mines, has banned an insulating material blamed for a fire that killed 177 men in a gold mine disaster two years ago, Reuter writes from Johannesburg.

Asians seeking work in Japan enter as tourists. Last year, the anthorities recorded 14,129 immigration violations, 33 per Aliens prosecuted for illegal entry cent more than the previous

10 Females Males 8 6 A CAN 2 1983 85 87 Source: Ministry of Jostice

shi who is on his way home this week after a siz-month stay in Japan. Mr Newaz came on a student visa, but only grins when asked what he studied. In fact, he beaded straight for a construction site in Chiba near Tokyo and spent all his time pipe fitting. "Sometimes, it was very

"Sometimes, it was very hard," he said in an interview, "Eating and sleeping were problems." But he is going home with the equivalent of \$7,000 in his pocket, enough to enable him to really become a student in the new year at the University of Delhi. The Japanese anthorities

The Japanese anthorities were partiy responsible for creating Mr Newaz's opportu-nity. Until last year, they allowed only those foreign stra-dents who were at universities to work 20 hours a week. How-ever, that right was then extended to all other types of students, and suddenly the applications mushroomed. In the first eight months of conditions with low wages will eventually increase, giving rise to new social problems such as housing, insurance, education and welfare arrangements for In the first eight months of this year, 19,000 students have come to Japan from China

alone, and another 35,000 are waiting for their applications to be processed. The demand is so great that some enterprising individuals, both Chinese and Japanese, have set themselves np as brokers between the applicants and what might be called Japanese educational institutions of convenience.

led workers. We already have many foreign workers in the country. It is no longer time to discuss However, the majority of

Seoul expects 12% growth rate

theless expected this year com-

pared with last year's \$9.8bn.

#### By Maggie Ford in Secul

SOUTH KOREA is expected to record a real growth rate of 12 per cent in 1988 for the third year in a row, according to estimates prepared by the Cen-

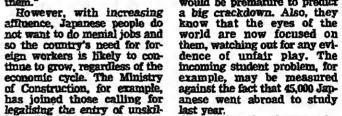
The Bank said that per cap-ita gross national product for the country of 43m people was expected to leap from \$2,700 last year to \$3,700 at the end of trai Bank. The Bank of Korea said that although the growth rate in exports had slowed, domestic this year, partly because of the

whether we should accept them or not. It is time for us to have proper laws to protect the fundamental human rights of foreigners already in Japan," says the Rev Hidetoshi Watanyear, with Filipinos accounting for 71 per cent of them. In April of this year, immi-gration officials carried out an abe, a pastor at a the United Church of Christ in Yokohama.

According to a poll carried out by the Justice Ministry a year ago, 42 per cent of those asked thought the government should ease restrictions on for-eign workers while 32.8 per cent said the present policies should be maintained. Nearly half supported the Idea of intensive check of 558 arrivals with suspicious tourist visas over a period of 10 days. They

cant sain the present phates should be maintained. Nearly half supported the Idea of allowing unskilled foreign workers to come and work in sectors where there were labour shortages. Until now, the Japanese authorities have dealt with the foreign worker issue by turn-ing a blind eye for most of the time and, to some, that would seem the best way to continue. However, the government now appears to be toughening up. Next month, it will proba-bly snspend its agreements with Pakistan and Bangladesh whereby citizens of those coun-tries can enter Japan as tour-ists without having obtained ists without having obtained vises in advance. Also, the Jus-tice Ministry will present new legislation early next year to amend the immigration control act to tighten entry formalities, A foreign ministry official A foreign ministry onical recently expressed a similar concern. We are anaid that the number of foreign manual laborers working under poor penalise employers who hire illegal workers and make more

strict the qualifications needed strict the gualifications needed to become a foreign language teacher in Japan. The Japanese authorities are masters at using legislation and regulations flexibly, so it would be premature to predict a big crackdown. Also, they know that the eyes of the world are now focused on them, watching out for any evi-



It will probably, however, be some time before foreign workers are making the beds in the

GNP is likely to have reached \$5,000. Income distribution has also improved markedly in South Korea since a wave of labour strikes last year, with

### was being streamlined to make it more suitable for peacetime. However, leading military fig-ure Brig Gen Thai gave no timetable nor other details on the trimming of the 1.3m-strong regular army, one of the world's largest. Gen Thai said that 18,000 sol-diers transported in hundreds of trucks would begin leaving Kampuchean bases tomorrow and cross into Vietnam on and cross into Vietnam on December 21. They are to be the final instalment of a total of 50,000 soldiers Hanol says it is pulling out in its biggest partial with drawal since its troops invaled

Vietnam to

VIETNAM will demobilise more than 300,000 soldiers, including elements of six army divisions due to withdraw from Kampuchea next week, the army said yesterday, Reuter reports from Ho Chi Minh City.

A senior military officer had a senior military officer had said last month that the army was being streamlined to make it more suitable for peacetime.

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drawal since its troops invaded Kampuchea in December 1978. The troops remaining in Kampuchea will be organised in regiments, all of which are to be pulled out by the end of March 1990, Gen Thai said. Hanol publicised the with-drawal of what it said was 15 000 troops from Kamuwches 15,000 troops from Kampuchea at mid-year, and Gen Thai said that 17,000 more left in small units undetected by foreign

intelligence up to November. Western diplomats have esti-mated a net withdrawal of

15,000 to 20,000 troops took place in 1993 and have expressed doubts that Hanoi will meet its target of remov-ing 50,000 by year end. Vietnam said that it invaded

Kampuchea to overthrow the Khmer Rouge and end what it called genocide against Kam-pucheans and to stop a Chi-nese threat to Vietnamese security. He said the total strength of the Kampuchean will be total to the stop of the star of the military, including village mili-tia, was more than 200,000. Western diplomats have esti-mated Phnom Penh's army at

about 40,000. The withdrawal of troops over the next week is being organised along four highway routes and one river.

#### Dalai Lama protest

The Dalai Lama, Tibet's exiled spiritual leader, yesterday con-demned recent violence in Lhasa as Chinese oppression but said that he hoped it did not mean Peking had turned its back on negotiations, Reu-

#### rejected 458 of them, 218 from Bangladesh, 174 from Pakistan and 16 from the Philippines. Reactions in Japan to tha sudden development of a "gas-tarbeiter" phenomenon are, as ona might expect, mixed. In general, the Japanese are not particularly hospitable to any foreigners but they tend to be

particularly condescending in their attitudes to other Asians. The chairman of a Labour Ministry advisory panel that studied the problem earlier this year said when presenting his report in March: "Consider-ing the experiences that other Western nations went through, it is absurd to accept unskilled workers. Once we completely liberalise the labour market, unskilled workers will surge into Japan, causing new eco-nomic, social and labour prob-

duce greater competition at home, forcing Israeli banks to bring down their own interest

Blue chip companies currently pay 20 per cent to 25 per cent a year in real terms on short-term bank loans, three times rates typically enjoyed by their Western competitors.

But the response from indus-try has been decidedly men-thusiastic. Many companies argue that the relaxation will

**Beirut truce broken** 

RIVAL Sbi'ite Moslem militiamen fought in Beirut's southern suburbs yesterday for the first time since Syria imposed a truce last month, police said, Reuter reports from Behrut.

They said militiamen of the Iranian backed Hizbollah (Party of God) and the pro-Syr-ian Amal attacked each other The conflict between Amal and Hizbollah dates back to 1984 when Hizbollah, thought with rocket propelled grenades and heavy machineguns. Residents said the sudden

to be behind the abduction of some of the 18 westerners missoutbreak of street fighting started shortly after dawn but did not spread. They said the ing and believed kidnapped in Lebanon, emerged as a chalsound of exploding rockets ech-oed across the suburbs, home

By Michael Holman, Africa Editor

AT ONE especially fraught

presidential elections.

tions against South Africa.

Throughout the protracted

tongue on the Angolan and

Cuban delegations.

snapped.

world is willing to charge us". Mr Rubin said he was uncon-cerned by the damage this would inflict on the money supply controls being maintained by the Bank of Israel. An iconoclastic free marketeer, he said the availability of foreign credit at low interest rates and a restructuring of government support for domestic investment was essential to create the new enterprises and jobs Israel badly needs.

first since rival Shi'ites battled

confiscated weapons.

lenge to Amal.

tice, as those large enterprises with a good enough credit rat-ing to be able to borrow abroad

on reasonable terms are

central bank.

Isbaq Khan takes presidential oath syste

for 500,000 people. They said Syrian troops were trying to halt the fighting, the PAKISTAN'S transition to for five days in west Beirut and for five days in west Beirut and the suburbs in late November killing 29 people and wounding 72. The battles stopped after Syria imposed a truce, arrested more than 300 militianen and confictated wearons democracy was completed yes-terday with the swearing-in of Mr Ghulam Ishaq Khan as the country's President, Chris-tina Lamb reports from Islama-

The occasion was marred by opposition claims that Monday's vote of confidence in the National Assembly for Ms Benazir Bhutto, the Prime Minis ter, had been miscounted. Instead of 148 votes they say she got 136, still giving her a majority in a house of 237.

What made Mr Crocker lose his cool

Mr Jan Raath, a government mining engineer, announced on Monday night that toxic polyurethane foam used in figure. A current account suracores of mines "shall be removed at the earliest opporplus of around \$14bn is nevertunity or rendered inert"

The foam, outlawed in British coal mines 20 years ago, caught fire at the Kinross gold mine in 1986 and sent toxic fumes through underground tunnels, killing 177 miners. A mine owners' committee

called for the foam to be stripped from all South African mines but many operators ignored the recommendation and continued to use it to insu-late underground cooling

Polyurethane foam again caught fire last October at Western Deep Levels, the world's deepest gold mine, and caused the deaths of seven more black miners. The acci-

dent revived controversy over safety standards in South Afri-can mines, where hundreds of workers, mostly blacks, are killed each year. The 260,000-member National Union of Minawathers has

Union of Mineworkers has repeatedly accused white mine owners of slack safety stan-dards and demanded to know why the foam was still in use.

demand for manufactured Won currency against the dolgoods and agricultural prod-ucts had pushed up the growth By the end of next year,

when the Won is expected to appreciate further, per capita lation.

ciation of the

### Party 'must practise democracy'

#### **By Macqle Ford**

SOUTH KOREA's Ruling ean rennification, he Democratic Justice Party has no choice but to practice democracy and is engaging in internal perestrolka, according internal perestroika, according to Mr Park Jun Kyu, its new chairman. Mr Park, who was made head of the party after a Cabinet reshuffle last week, said that President Roh Tae Woo had warned party members who oppose democratic change to resign

resign. Mr Park has extensive politi-

cal experience and was for-merly head of the delegation holding parliamentary talks with North Korea. In a wide-ranging interview, he said that

the South would not exclude the possibility of holding mili-tary talks with Pyongyang. There were signs of a change of attitude by the US and Japan towards Kor-

said

He signalled a new approach towards the North when he said that, should the South's policy on cross-recognition between the two sides and their joint entry to the United Nations hinder progress, Seoul would drop it. North Korea has would drop it. North Korea has always rejected cross-recogni-tion, under which China and the Soviet Union would recog-nise the South and the US and Japan would recognise the North, because it would corner the division of the cement the division of the country.

He pledged that a large num-ber of political prisoners would be released before Christmas and that national security laws which have been used to persecute political opp-onents would be speedily revised.

average family income now at about \$12,000 per year. South Korea's savings rate continues to maintain its high level, increasing from 36.7 per cent of GNP to 38.4 per cent this year largely due to a crackdown on property specu-

ter reports from New Delhi. Police fired at unruly demonstrators in the Tibetan capital last Saturday killing one monk and injuring 13 people, the offi-cial New China News Agency

said. Among the injured was a 26year-old Dutch woman whose passport had subsequently been confiscated by police, diplomats said.

Westerners in Lhasa reported at least two died when police fired on a pro-inde-

when points three on a provide pendence march. "We deplore the indiscrimi-nate shooting by armed Chi-nese troops on the crowd of unarmed and helpless Tihet-ans," said a statement from the Dalai Lama's New Delhi office. Jaiai Lama's New Deini office. In October, the Dalai Lama, who fied Tibet after an abor-tive uprising against Chinese rule in 1959, said that he had proposed to Peking that direct talks should begin in Geneva

in January. China has yet to respond to the offer of talks but said in June it was willing to open a dialogue.

#### **Assad visits Saudis**

Syrian President Hafez al-As-sad flew to Saudi Arabia yes-terday to be met by King Pahd in an official welcome at Riyadh airport, the Saudi Press Agency reported. The official Syrian news

agency SANA made no imme-diate mention of the trip, Assad's first visit to the king-dom inalmost four years.



THE Government of Burundi has detained about 60 people suspected of taking part in tribal massacres in the north of the country last August, Prime Minister Adrien Sibomana said yesterday, Ecuter reports from Nairobi. Mr Sibomana said the Gov-

ernment had undertaken not to prosecute any of the 48,000 ref-ugees who fied to neighbouring Rwanda during the massacres and who are now returning to their homes.

Nigerian clampdown

Nigerian authorities, who clamped down heavily on aca-demic protests earlier this year, have closed two universi-ties to curb a per many of ties to curb a new upsurge of student unrest, newspapers reported yesterday, Regier reports from Lagos. Ms Grace Alele-Williams, the

vice-chancellor of Benin Uni-versity in the east of the coun-try, ordered the closure of the university after three students were reported detained over the weekend by security forces.

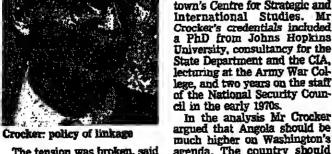
moment in the negotiations which brought about yester-18.67.7 4 day's agreement on a Cuban troop withdrawal from Angola, Mr Cbester Crocker's patience It was in New York in October, and the momentum of the talks, which began in London last May, appeared to bave stalled. Cuba and Angola, it seemed, were holding back pending the outcome of the US 139 The Democrats had promised to end US support of Unita, the Angoian rebel movement, and to implement tougher sanc-

negotiations, the bespectacled The tension was broken, said 47-year-old Mr Crocker, the US tha African official who Assistant Secretary of State for Africa, had usually conveyed an air of professorial detachrecounts the story with much amusement, by a Cuban delegate. ment, accompanied by a mas-tery of detail. This time how-ever, he let loose his sharp

tant, he asked, why had Wash-ington allowed such a senior government official - an assistant Secretary of State, no less

The war in south-western - to spend the best part of eight years on the problem. The answer - as all the dele-gates knew - had been set out Africa was a far-off conflict about which Americans knew little and cared less, he said - or words to that effect. If by Mr Crocker himself in early asked, Mr Crocker continued. 1981, couched in terms that had a ring of the Cold War the average US citizen would guess that Namibia was a disabout them. ease and Angola an animal.

It was contained in an analy-



wrote.

If Angola was so unimpor-

and its allies. "This process should be encouraged with the aim of getting the Cuhans out so that a genuine political reconcilia-

tion can take place. . . the West should continue to back Unita until such time as the MPLA (Angola's ruling party) is prepared to negotiate and to

sis of US-Southern Africa pol-icy published in January that year, one of several on the subexpel the Communist force from Angola. Namibia, accord-ing to this argument, is a ject by Mr Crocker that caught separate and less important issue."

the eye of President Reagan's advisers. A few months later Mr At the time he was director Crocker was sworn in as Presiof African Studies at George-town's Centre for Strategic and dent Reagan's Africa man. It marked the start of what was to be termed "link-age" - Washington's insist-International Studies. Mr Crocker's credentials included a PhD from Johns Hopkins ance, readily endorsed by Pre-toria, that Namibia's independence should be condi-University, consultancy for the

tional on a Cuban withdrawal. Bringing it about took nearly eight years of hard, often hos-tile bargaining, during which linkage was initially flatly rejected by Luanda and Havana and Mr Crocker's polit-ical fortunes reached a loss lege, and two years on the staff of the National Security Coun-cil in the early 1970s. In the analysis Mr Crocker argued that Angola should be much higher on Washington's ical fortunes reached a low agenda. The country should

form the "logical focal point for policy" in the region, he ehb. At one stage, without results in south-western Africa, and seen by right-wing Republicans as soft on Mozambi-que - where he resisted pres-"It is in Angola, after all, that anti-communist forces are effectively engaged in trying to liberate their country from the sure to support the MNR reb-els - Mr Crocker seemed in danger of losing his job. The support of Mr George Bush and new imperialism of Moscow Mr James Baker proved cru-cial, colleagues say - two patrons who will doubtless be ready to find Mr Crocker a senior job in the new US

administration. Today Mr Crocker can say that his strategy of "linkage"

has been vindicated - though he is the first to acknowledge that yesterday's pact is the product of many factors, including superpower co-opera-tion and war-weariness on the part of the protagonists.

But delegates give Mr Crocker credit for his skills and dogged diplomacy, Like Lord Carrington at the Lancaster House conference which led to Zimbabwe's independence, Mr Crocker painstakingly set about "nailing coat-tails to the floor" as one delegate put it: winning concessions here and there, not especially significant when taken on their own, but which when put together make it difficult for the parties to

wriggle free. What remains unresolved, however, is the civil war in Angola. Mr Crocker insists that US military support for Mr Jonas Savimbl, the Unita leader, will continue until the reconciliation ha urged on Angola as far back as 1981 takes place.

contacts between the MPLA and Units, there has been little evident progress. But if Angola's war is brought to a negotiated end as part of a regional settlement it will con-

# Despite a series of discreet

ciude a most remarkable feat of diplomacy for Mr Crocker.

Timetable for Cuban troop withdrawal from Angola By Anthony Robinson in Brazzaville

Park: party chairman

ZARTE - Anna STO

Alter Bengusia Raberry Lucros

on November 1 under the terms of the Cuban troop with-drawal schedule signed by Angola, Cuba and Sonth Africa yesterday. Revealing details of the withdrawal schedule for the

first time, Mr Pik Botha, the South African Foreign Minister, said the first contingent of 3,000 troops would leave before April 1, the sgreed date

drawal of the entire Cuban force of 50,000 men beyond the 15th Parallel within four months of the April 1 "D-Day". This would take the Cubans north of the Namihe-Lubango-Cuban force, or 25,600 men, are scheduled to leave Angola with the rest left to the north of the Benguela railway by

be withdrawn over the next five months so that by April 1990 some 33,000 troops, two-thirds of the total, will have left. A further 5,000 troops are

THE NEAREST Cuban soldier should be 340 miles north of the Namibian border by the time Namibians go to the polls on November 1 under the

for the start of implementation of the UN Resolution 435. The schedule calls for with-

NAMBIA ANNOHORIX

BOTBWANA

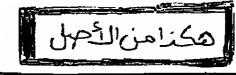
scheduled to leave over the

scheduled to leave over the next six months. The final departure of the remaining 12,000 troops will be phased over the following nine months ending July 1991. South Africa's acceptance of the withdrawal schedule fol-lowed last-minute insistence on acceptable monitoring and on acceptable monitoring and verification procedures. Origi-nally Pretoria demanded the withdrawal of 15,000 Cuban

troops, as against the final 3,000, before implementation of Resolution 435 began and the exit of 75 per cent of the Cuhan force within 12 months of "D-Day", not 18 months as in the final agreement.

election day. A further 8,600 troops will

Menongae railway line some 190 miles from the border by August next year. Over the next three months half the



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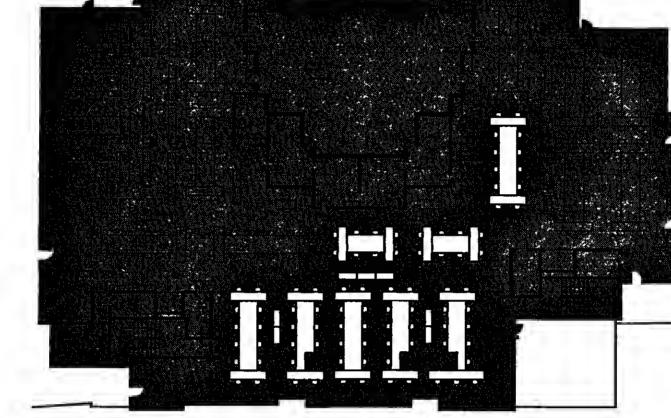
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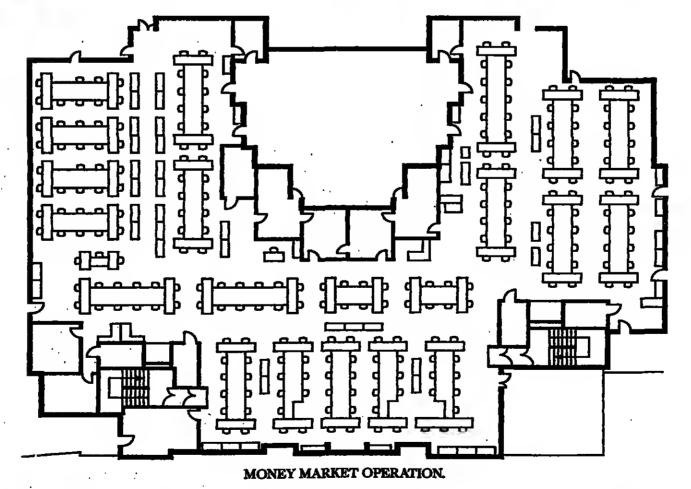
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### **Brussels plans duties cut** on Japanese printers

#### By William Dawkins in Brussels

planning to make big rednc-tions in anti-dumping duties on \$300m (£163m) worth of imported Japanese daisy wheel computer printers. It has asked member-states

to impose definitive duties of 23.5 per cent - just over half the current provisional rate -on 13 of Japan's top producers

of computer printers. Brussels also wants to annul the levies being applied to two more, Tokyo Juki Industrial and Tokyo Electric, the only producers to co-operate with Commission investigations. All the companies are now paying provisional levies of between 12.4 and 43.2 per cent, which means they must take out guarantees for the duties

Iveco agrees to produce trucks in Yugoslavia By Kevin Done, Motor Industry Correspondent

IVECO, Europe's second largest truck manufacturer and the commercial vehicle offshoot of Fiat, has signed a 10year joint venture agreement to produce light and medium commercial vehicles in Yugo-

slavia. The agreement with ZCZ (Zavodi Cravena Zastrava), the Yugoslavian commercial vehicle maker, still requires approval by the Yugoslavian authorities, but is expected to come into force In January.

The two groups are to form a joint venture company ZPV (Zastava Privredna Vozila), which will produce vehicles from components supplied by Iveco.

The vehicles will be sold in Yugoslavia and exported through the Iveco network. The assets of the new ven-

ture will comprise ZCZ's existing truck activities in Yugo-slavia and production equipment, capital and kno-

whow from Iveco. The first co-operation agree-ment between Iveco and ZCZ tion in Peking. The association has 189 members from 57 countries – was signed in 1973. and Taiwan, which is recog-ZCZ manufactures the Iveco nised by only two dozen coun-tries - is anxious to keep up

Daily medium van and Iveco Z light truck

licence.

THE European Commission is rather than paying in cash. The cut in duties comes as a result of mitigating facts the Commission picked up while completing its inquiries after

imposing provisional levies. Brussels proposes to make those duties definitive, a routine step in anti-dumping cases, so that the levies must be paid in cash at EC frontiers. The decision is expected to be ratified without debate hy EC governments at a ministerial meeting within the next week.

lt comes a few weeks after member-states accepted a Com-mission request to set definitive duties of up to 47 per cent on almost all Japanese exports of dot matrix printers, a much larger market but dominated by the same companies. Both

By Bob King in Taipei

TAIWAN is likely to send a

delegation to a big trade meet-ing in Peking next year now that the Taiwanese foreign

trade board has lent its sup-port to a local trade organisa-tion's formal application for

the visit. The visit, which organisers say the Government will prob-

ably approve, will mark another step in the rapidly-ac-celerating detente between the

two countries, which have

been adversaries for nearly four decades. This process has already been marked by the

Taiwan Government's approval of personal visits between the

two sides, as well as of indirect trade and investment links. The China External Trade

Development Council, a pri-

vately-funded organisation, said yesterday that it had for-

mally proposed that a delega-tion from the Taipei World

Trade Centre should attend next year's meeting of the World Trade Centre Associa-

articipation in inter

tional organisations even with- cotton, and iron.

machines are used with personal computers. The other main companies involved include Setko Epson, Brother Industries, Fujitsu and

and NEC. In both instances there have been complaints of artificially low pricing from the EC's leading computer printer makers which include Olivetti, the Italian offshoot of Honeywell Information Systems, Mannesmann Tally and Philips Kommunikations

**Taiwan trade mission** 

to Peking likely

of West Germany. Imports of Japanese daisy wheel printers rose from 70 to 74 per cent of the EC market in the three years to 1986, when the producers were selling at prices as low as 58 per cent below domestic prices, the Commission estimates.

out political implications.

request.

Australian order for Hawker Siddeley By Chris Sherwell in Sydney

HAWKER SIDDELEY of the UK, through its Far East unit Hawker Pacific, has beaten Canadair of Canada to supply five medium-sized VIP aircraft to the Australian government to replace its ageing fleet. Under the deal the Royal

Australian Air Force will lease five French-made Falcon 900 jet aircraft, for which Hawker Pacific is the agent, over a period of 10 years at an aver-age annual cost of A\$26m (£12.1m).

(£12.1m). In announcing the contract last week, the Government again changed its mind over details of the order. Originally it sought three medium-sized (10-15 seat) and two large (35-45 seat) aircraft, then amended this to four medium and one large aircraft.

large aircraft. But this was changed when it decided to have five triple-engined Falcons — the prefer-ence, apparently, of the Air

ence, apparently, of the Air Force. The decision not only rejected the cheaper two-en-gined Canadair Challenger, it also wrecked the hopes of Brit-ish Aerospace, which offered its BAe 146 as the large air-craft, and Australian Airlines, the state-owned domestic car-rier, which put forward a Boe-The delegation's visit, although nuofficial, will require the approval of a select cahinet committee that deals with policy toward China. But Mr David Liu, deputy director of the Council's exhibition rier, which put forward a Boedepartment, says the organisa-

Although the question of larger jet sircraft is to be "fur-ther considered" by the Defence Department, no addi-tional order is expected. tion is "very optimistic" that the committee will approve the in recent months, the Gov ernment has greatly liberalised its stance toward private con-tacts with China and other

Communist nations. It now allows mainland Chinese to Crossair to buy 25

> CROSSAIR, the Swiss regional airline, is tomorrow to sign an agreement with the Swedish company Saab Scania for the purchase of 25 Saab-2000 shorthaul aircraft, writes John Wicks in Zurich.

country go-betweens. Attendance at the World Trade Centre Meeting, sched-uled to begin next September, might serve to swell trade sair, which has affiliations to Swissair, intends to arrange for options on a further 25 aircraft. between Taiwan and China, which this year is expected to reach \$2.5bn (£1.4bn) compared This will be the first order for the 50-seat Saab-2000. It is a faster, extended version of the Saab-340 Cityliner, of which with last year's \$1.5bn. Taipei sells mostly finished goods to China while import-Crossair already has 19 in use. Delivery is expected to start in

the second half of 1993.

### **Turkish contractors expected** to step up Libyan projects

Loral is furthest down the line

in terms of development and delivery, while Westinghouse's

development programme extends into the 1990s. It might be the mid-1990s before it was in a position to deliver to cus-tomers outside the US, accord-

ing to the sources. All the con-tenders are offering financing packages, probably with exten-sive offset terms.

Turkey needs the ECM

systems for the 160 aircraft. All

that eventually will emerge from a \$4,000m local manufac-

US law firm to ease Soviet joint ventures

Apco Associates, the law firm's

consulting affiliate, and Infeks, a Soviet co-operative set up six months ago and affiliated with

the Soviet Ministry of Foreign

Economics. Mr James Jones, an Arnold

& Porter Managing partner, said there had been only 10

The joint venture is between joint ventures finalised ucts and fisheries.

- ....

#### By Jim Bodgener in Ankara

WORLD TRADE NEWS

TURKISH contractors are set fair for a substantial increase in Libyan work valued at around \$1.5bn (£815m) after talks last weekend between their association and the Lib-

their association and the Lib-yan government. This extends a general improvement in Turkish-Lib-yan trading relations after a bad patch soured by delayed payments during the oil price and development revenues slump for Tripoli in the mid-1980s. 1980s. The key would be Libyan

agreement to accept letters of guarantee from Turkish banks, Mr Ozer Olcmen, the Secre-tary- General of the Associa-tion of Turkish Contractors working in Libya, said yester-day. After alleged difficulties with Turkish hanks over uncompleted Turkish contracts several years ago, the Libyan government refused to recog-nise their letters of guarantee.

Marconi, offering their ASPJ, Rapport, and Zeuss systems respectively. Of the three,

ARNOLD & PORTER, the largest Washington DC law firm, yesterday announced establishment of a joint ven-ture with a Soviet consulting connection to asso formation

co-operative to ease formation

of other US-Soviet enterprises, writes Nancy Dunne in Wash-

A Turkish banking team led by the central bank will go to Tripoli on Sunday for talks aimed at hammering out a compromise formula - proba-

ing disbursement from the Libbly through Turkish central bank counter-guarantees for larger and more solid Turkish institutions like Is Bankasi. This would be part of a pack-age including oil purchase terms and a \$250m line of credit for Turkish exports.

The contracts in question had already been negotiated by about seven Turkish contrac-tors including Sezai Turkes-Feyzi Akkaya (ST-FA), Tekser, Baytur, Yasar Ozkan, Ege, and Enka, said Mr Olemen. They were for infrastructure and honsing particularly in the housing, particularly in the new Libyan capital of Jufra, about 400 miles south-east of

المراجع المراجع المراجع والمراجع والمراجع والمراجع والمراجع والمراجع والمراجع والمراجع والمراجع والمراجع والمرا 

> about 400 miles south-east of Tripoli. However, he stressed that Libyan acceptance of the letters of guarantee would only apply to those projects carry-ing the central government'a seal of approval, and not to any scheme promoted by local governments or municipalities. Turkish contractors were still owed around \$400m for work in Libya, but \$200m of these payments had already been approved and were await-

yan treasury, said Mr Olemen. The remainder were stuck at various levels in the Libyan various levels in the Lioyan bureancratic system. So far, Turkish contractors had car-ried out work valued at \$6.5hn in Libya, and had \$3.5bn more to complete in addition to the expected \$1.5bn, he added.

Another boost to Turkish contractors seeking Libyan work came last week from the budding Export-Import Bank of Turkey (Eximbank), which announced a package of short-term export credits and short-term export creatis and bridging finance. Its director, Mr Turgay Ozkan, said Turk-ish companies would receive \$60m-\$70m in bridging loan finance by the end of the

This will help them over the interim period between a Turkish Lihyan agreement in November to resume Libyan oil exports in payment for Turkish contracting services, and the actual transfer of funds to the Turkish-Libyan joint account from which the contractors would be paid.

turing deal agreed with the US

government in 1983 as a con-tractor, on behalf of General Dynamics of the US, which makes the F-166.

So far under the deal, eight have been delivered from the US, while the 13th locally-as-sembled fighter was delivered from the Murted plant outside

Ankara yesterday, a month ahead of schedule, bringing the total flying with the Turkish Air Force to 21, The F-16s will

eventually help to replace the latter's ageing F-104 fleet.

between US and Soviet busi-nesses since the passage of the 1987 Soviet law promoting joint

enterprises. Apco and Infeks will seek to boost the process, particularly in the areas of food processing, finance,

energy, telecommunications,

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### Swiss lift maker expands in China

SCHINDLER, the Swiss lift and escalator manufacturer, which has been involved in a Chinese production agreement since 1980, has entered into a second joint venture there. writes John Wicks in Zurich.

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The venture, called Suzhou-Schindler Elevator, will be

Schindler Elevator, will be formed by the parent company Schindler Holding and its Hong Kong affiliate, Jardine-Schindler, with a combined 40 per cent, and Suzhou Elevator, in Jiangsu province, which will have a 60 per cent stake. The company will use Schin-dler technology to produce ahont 950 lifts next year. Together with the existing joint venture. China-Schindler Elevator, which has factories in Peking and Shanghai, this will raise annual ontput to 2,300 lifts and escalators, with plans to expand to 4,000 units. plans to expand to 4,000 units.

#### Saga cars win UK tariff exemption

MALAYSIA'S Proton Saga car has been given Generalised System of Preferences status by the UK, Reuter reports from

Kuslar Lumpur. The GSP is a measure devised by the UN Conference on Trade and Development to make exports from developing countries more competitive through non-reciprocal tariff preferences.

Pernsahaan Otomobil Nasional Bhd plans to sell 5,000-7,000 cars in the UK next year with another 500 to 700 going to Ireland, Proton Saga

#### Racal in Saudi dealfor military radios

**RACAL**, the British electronics group, has announced a licen-sing deal for advanced milltary radios to be made in Sandi Arabia for the local market, writes David White.

The agreement is tailored to fit in with the Peace Shield programme of high-tech offsets agreed between the Saudis and Boeing of the US under a 1985 contract for a command, control and communications system. The Saudi partner, Advanced Electronics Com-pany, is a joint venture set up

under the offset programme

#### Ankara picks jet system bidders By Jim Bodgener THE TURKISH government has settled on three contenders for a contract valued at about \$350m (£190m) to supply elec-tronic counter-measure (ECM) systems for locally-manufac-tured F-16 fighter jets. It expects to choose one for the award by the end of the year, say Turkish defence industry

sources. The three contenders are Westinghouse and Loral Elec-tronics of the US, and the UK's

visit ailing relatives and attend Saab aircraft funerals in Taiwan; it has

approved visits by "outstand-ing" Chinese athletes and scholars; and has given its husinessmen permission to invest in China through third-

It is understood that Cros-

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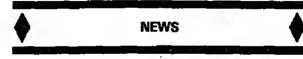
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Additional articles analyse aspects of the industry neglected in the more general financial press (such as the Japanese stockmarket, opportunities in Europe for UK financial services and pension loans).

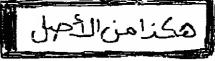


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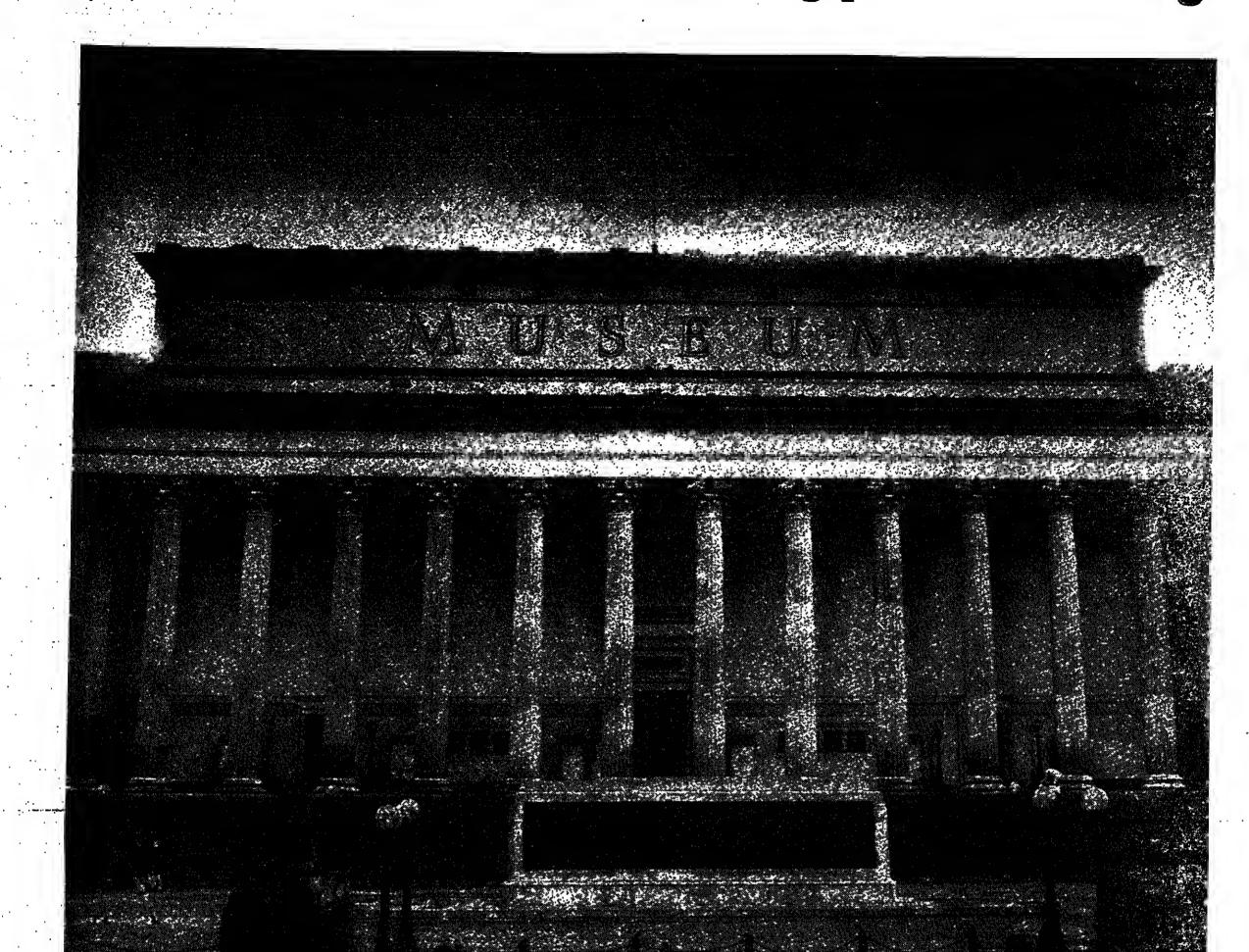
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#### **UK NEWS**

By William Dawkins in Brussels and Raymond Snoddy in London

### Last-minute claims block | EC bans price conditions on book exports **Barlow Clowes payments**

#### **By Richard Waters**

ATTEMPTS to repay most of the 7,000 investors in the UK arm of Barlow Clowes 25 per cent of their money before Christmas collapsed in chaos last night.

Last-minute claims against the UK fund from the liquidators of the Gibraltar-based Bar-low Clowes International frus-trated what was already a drastically scaled-down pay-

It emerged in the High Court in London that the liquidators of BCI have lodged a claim of 162m against Barlow Clowes Gilt Mangers, the UK fund, or more than four times the 116m that had been expected. The claim is for cash which the liquidators say was mingled with the UK fund.

Mr Nigel Hamilton, the Ernst & Whinney liquidator representing BCI, denied pro-tests in the UK that his 11th-bour claim showed that his investigators had been dragging their feet in the past six months.

night. Mr Hamilton said: "Things just kept coming out of the woodwork. There has been a huge amount of work going on, with 50 people working weekends and day in, day out. We have been beavering awav.

Yesterday's decision came after two High Court hearings in London and one in Gibraltar. The Gibraltar court, on the application of a BCI investor. refused to put a ceiling on the size of the BCI claim, making it impossible for the UK court to then pay out the balance to UK investors.

"It's very disappointing indeed," said Mr Michael Jor-dan, the biquidator of the UK fund, after the second hearing. "We are sitting on £53m but sadly we just can't pay it out." Amid the general gloom, 1,000 of the 7,000 UK investors saw a satisfactory outcome to their claim. The High Court agreed that these people, who had invested a total of \$5m in onths. Speaking from Gibraltar last 75p for every £1 they invested

immediately, with the rest likely to follow early next year. This is because their money, held in accounts with Lloyds bank, was not mixed with hove with money from BCI, leaving them free from losses. Cheques will be sent out by first class post

to these people today. The 6,000 people who invested a further £47m, though, and whose money was held in accounts with Midland Bank, must await further hear-ings in Gibraltar and London, and negotiations between liqui-dators on either side, before they have any hope of a pay-

• The 11,000 investors in Barlow Clowes International may receive a report before Christ-mas from Ernst & Whinney on progress to date in recovering their £130m. However, Mr Hamilton said that it was too early to say when they could expect a repayment, or how much they would receive. At present he expects them to get back 30-40 per cent of their

#### be on books from British publishers exported to Ireland where such an agreement had been in force since before the country won independence in 1921. The net book agreement under which publishers set standard conditions for the sale of books to booksellers, obliges

shops to sell above a minimum price apart from special discounts to schools and libraries.

THE EUROPEAN Commission ruled

yesterday that it was illegal for British

publishers to apply "net book" agree-ments setting minimum retail prices to sales of British books across &C fron-

The main effect of the decision will

tiers.

The Commission ruled yesterday that "The agreements restrict competi-tion between publishers, as well as between booksellers, in respect of their individual discount polices and are incompatible with the BC's competition rules insofar as trade between member

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rules insofar as trade between memoer states is affected." Mr Clive Bradley, director of the Publishers' Association (PA), the body representing most British publishers, said yesterday: "Wa helieve the Com-mission have got it wrong and the result of getting it wrong is to militate against the furtherance of a single market in books." market in books."

The PA believes that the net book agreement is neither a cartel nor a

restrictive practice, but a voluntary measure which helps to make a high number of titles available to consumers and to more booksellers.

In a recent survey of PA members, 74 per cent came out in favour of a contin-

nation of the agreement. The Commission argued that the UK scheme was not essential to improving the distribution and publication of books in the Community - one of the very few grounds under which Brussels is empowered to exempt agreements such as this from EC competition restrictio

"An efficient publication and distri-bution system for books is essential to the development of the medium." the

Commission added. But the agreement

Commission added, But the agreement "was not indispensable." Yesterday's ban applies immediately although British publishers have the option to appeal against the decision in the European Court of Justice - a pro-cess which could take two years. The Publishers' Association was yes-terday awaiting a full copy of the Com-mission ruling before deciding what setion to take.

action to take.

Seven years ago, the Commission prohibited a price-fixing accord between the Dutch and Belgian book trade associations - a ban which was upheld after appeal in 1984.

Lax, Page 20

### Saunders wins battle for legal aid in Guinness takeover case

#### By Raymond Hughes, Law Courts Correspondent

MR ERNEST Saunders, former chairman and chief executive of Guinness, the drinks group, who was arrested in May last year, has won his battle for legal aid in his defence against 46 criminal charges relating to the Guinness takeover of Dis-tillers, the whisky group. A High Court judge said yes-terday that Mr Saunders clearly needed legal assistance

because he had no income and

His assets were frozen. However, Mr Justice Henry said that when the trial was over Mr Saunders could be over Mr Saunders could be made to contribute up to a maximum of £237,000 towards the costs of his defence. It has been estimated the costs will

exceed \$400,000. Mr Saunders has incurred more than £1m in civil and criminal legal costs - of which about £662,000 remains unpaid and the state of the second se

ted to start late next summer and last more than six months. Mr Saunders, who like the other defendants has been freed on £500.000 bail, made a succession of appearances at Bow Street magistrates court in London after his arrest. Most of his appearences were

without legal representation. He claimed he had no money to pay for lawyers, but his four pleas for legal aid were turned lown because the Bow Street

legal assistance." The case was transferred last month to the Old Bailey court, enabling Mr Saunders to renew his application to Mr Justice Henry. It is believed Justice

Yestarday the judge said it was desirable that all the defendants should be legally represented at what would be a long and complex trial. This would be in their interests and those of justice.

He said that after being sacked by Guinness in January last year, Mr Saunders' assets totalled about £860,000 and his wife's just under £600,000.

The couple had sold their jointly-owned home in Buck-inghamshire, west of London, each taking about £420,000 of the proceeds. Mr Saunders had put his share in trust for his three children - about £180,000 of it being used to buy the house in Putney, London, where he and the children live. After paying some £350,000 in legal fees, he had been left with about £90,000. This had been frozen by the High Court in civil proceedings brought

against him by Guinness, for which Mr Saunders has already been granted legal aid, Mr Saunders and his wife were living "separately and apart" - he in London and she in Switzerland. Her resources

were in a Swiss trust, from which he had been frozen out, and could not be treated for

available to him, the judge

The question was whether, by giving the £420,000 to his children in March last year before any litigation started, Mr Saunders had deliberately deprived himself of capital

there was a strong risk of litiestion.

reasonable conclusion ... is that he was clearing the decks for action: rendering himself for action: rendering himself less attractive as a target for litigation as a defendant and, if he were to be a plaintiff in any litigation, less likely to be able to pay the defendant's costs should be be unsuccessful." The judge ruled that the \$420,000 given to the children was to be treated as part of Mr paid for the house and £40,000 living expenses for Mr Saun-ders from March last year until the end of the trial, That left £200,000, to which

had to be added the frozen £90,000. Deducting the £3,000 capital permitted under the legal aid regulations, the final

figure was £287,000. The judge said that as little or none of that money was immediately available. Mr

**Clapham rail crash** toll drops to 33

#### By Kevin Brown, Transport Correspondent

THE DEATH toll from the route for 20 years. Mr Rolls, 54, was married with two children. He died after his train ran into the rear

of a stationary train. BR investigators were waiting to talk to Mr Alexander McClymont, the driver of the other train, to confirm that he stopped to report a faulty

Southern Region said a claim that signals controllers had been told about the fault hours before the crash was

find out whether fail-safe mechanisms built into the signalling system had malfunc-tioned.

M.L. Engineering, the com-pany which sopplied some of the equipment for a signals modernisation programme at Clapham Junction, said it had been told by BR that its equipment had been cleared of blame

The last of the damaged coaches was removed at midmorning yesterday, and ser-

Around 50 per cent of trains ran last night, although some destinations were still served only bus only by bus,

A steering committee to rep-resent solicitors pursuing claims will be set up later this BR said services were expected to return "almost to normal" from 6 a.m. this morning, the crash was named as Mr after around 440 metres of track had been relaid.

John Rolls, from Northbourne,

### **Independent broadcasting body** may allow franchise takeovers

agree. No concentration of

#### By Raymond Snoddy

INDEPENDENT THE Broadcasting Authority is seri-ously considering permitting agreed takeovers of Britain's 16 independent television compa-nies before new legislation is introduced to govern UK broadcasting. The likely policy change was

outlined to the managing direc-tors of Independent Television (ITV) companies yesterday and could lead to defensive takeovers in the sector as compa-nies prepare for the auctioning of commercial television franchises in 1991-92.

The ITV companies have been asked for their views and the IBA will formally decide on the issue early next year. By then Mr George Russell will have taken over as IBA chairman from Lord Thomson who retires at the end of this year. However, the IBA would con-

ownership is being considered so that ITV companies would not be allowed to take each other over. The softening of the IBA's resistance to takeovers follows a Government white paper (policy document) on broad-casting which recommended that the absolute barrier to

takeovers should be removed, although the authority has been looking at the possibility since April. Under Government proposals there would still be limits on the number of broad-casting licences an individual company can own.

Twice in the past three years the IBA, the regulatory body which the Government intends to replace by an independent Television Commission, has sider takeovers in the three-year franchise extensions blocked takeovers of ITV com-

which run to the end of 1992 panies. only where both existing share-bolders and executive directors

In 1985 the Anthority blocked the Carlton Communi-cations bid for Thames Television even though Mr Michael Green, the Cariton chairman, had the support of the major Thames shareholders Thorn EMI and BET.

In February 1986 the IBA blocked a contested £753m bid for Granada despite the fact that Granada's north west of England franchise accounted for about 20 per cent of group

profits. The IBA said at the time that it was acting in the defence of the principle that ITV franchises were not to be sold to the highest bidder.

In the light of the Government's view that takeovers in the British television industry could be a valuable source of new ideas the IBA's stance

### were "such that he requires

Henry will conduct the trial.

The timing was highly signifi-cant, the judge said. "The storm clouds had already gathered... and it must have been obvious that "It seems to me that the only crash. A further 50 passengers were still being detained at St George's Hospital, Tooting, last night. Two had "very serious" injuries, and 22 others were described as "serious." British Rail (BR) said it

was to be treated as part of Mr Saunders' resources. From that should be deducted the £180,000

week. BR has accepted respon-sibility for the accident. Saunders would not be required to make any contribu-

Clapham Junction train crash in south London on Monday morning dropped to 33 last night. Sociand Yard said the total had been miscounted because of the severity of injuries to some passengers. Scotland Yard said none of Scotland Yard said hone of the dead passengers would be named until post mortem eraminations had been carried out. Many of the dead were identified only through papers and clothing found in the crack signal.

being investigated. Officials were also trying to

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**ORD MINNETT** 

INSTITUTIONAL

DEALERS

-EUROPE

He had been driving the tions was likely, however.

ober, 1968

mas if required.

co-ordination service.

would issue cheques for £2,000 "as soon as possible" to fami-lies in need of financial assis-

tance because of the accident, BR said it would also cover

funeral expenses, travel for anyone visiting injured rela-

tives in hospital, and hotel accommodation over Christ-

The Law Society, a profes-sional body, opened a disaster

The train driver who died in



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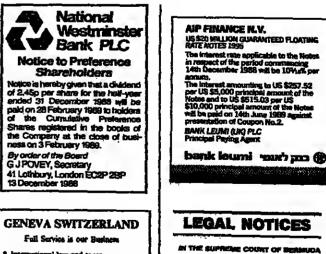
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#### **UK NEWŞ**

#### Extradition ruling stokes Westminster fury | Daf may use British offshoot's quality drive as group example Charles Hodgson and Kieran Cooke on the latest Ryan affair twist

he decision yesterday by Mr John Murray, the Irish Attorney General, to refuse Britain'e application for the extradition of Mr Patrick Ryan, the former Irisb priest wanted for alleged terrorist offences, appeared to come as little surprise in Whitehall.

Once the Irish anthorities had ignored Britain's request to arrest Mr Ryau ou his arrival in Dublin from Belgium, there was little optimism among British officials about the eventual outcome.

Nevertheless, the ruling, on the grounds that media coverthe grounds that media cover-age of the case and the bitter remarks by Mrs Margaret Thatcher, the Prime Minister and other Tory MPs about Mr Ryan in the House of Com-mons Commons had jeopard-ised the chances of him receiving a fair trial, stoked renewed fury at Dublin among Tory MPs. It has also brought ritual demands for the scrapping of the Anglo-Irisb agreement which has given Dubin a say

in the affairs of Ulster. Mr Murray decided that in view of the publicity surrounding the Ryan case, much of it seriously prejudicial, and because of certain statements on the affair made in the House of Commons, Mr Ryan would not be able to have a "non-biased trial" in Britain. No amount of direction from a

**Charles** Haughey

he said.



he said. Opponents of the three-year old Angio-Irish accord both amoug the Unionist commu-nity in Northern Ireland and at Westminster saw the decision as further evidence of Dublin's lock of birth and as ministering

The further sharp cooling in relations over the Ryan affair comes at the end of an already very testing year in Anglo-Irish relations. Yet despite frequent recent tensions, both London and Dublin have repeatedly stressed their commitment to the agreement with Mrs Mar-garet Thatcher telling MPs yes-



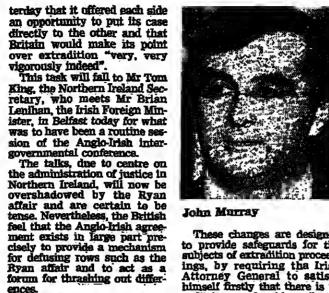
trial judge could alter that fact,

ences

not the Anglo-Irish agreement

lack of faith and as reinforcing the view that the Irish Republic is a "safe haven for terror-

not the Anglo-Irish agreement but extradition arrangements between the two countries, which are "plainly not work-ing" and which, Britain insists, need to be overhauled. Mrs Thatcher blames chauges brought in by the Irish govern-ment last year and made per-manent by the Irish parliament only last week for the breakonly last week for the break-down of the Ryan extradition



John Murray

These changes are designed to provide safeguards for the subjects of extradition proceed-ings, by requiring tha Irish Attorney General to satisfy himself firstly that there is "a sufficiency of evidence" and secondly that there is a clear intention to prosecute As Mrs Thatcher made clearin the Commons, what is at issue in the Ryan affair is

intention to prosecute. Yet despite British complaints about hish extradition law, it is clear that yesterday's decision was not taken on the basis of donbts arising from either of these safeguards, since Mr Murray appeared sat-isfied that there were "serious charges" to answer on two of the four warrants against Mr Ryan. Mr Murray made his rul-ing on the basis of his constitu-tional duty to ensure that Irish

citizens receive a fair trail both at home and abroad. To many in the Republic and in Britain, Mr Murray's conclusion will be seen as an attack on the nature of the system of justice in Britain. Although he stressed that this was a unique case, it seems inevitable that official backing will now be seen to have been given to a widely held view within Unleak there can be winthin

Ireland: there can be no justice for an Irish person in a British court. Mr Murray's statement is, therefore, likely to make any future extradition requests by Britain all the more difficult. In future the British will feel that have not only to satisfy they have not only to satisfy lish legal requirements: they must also ensure that there is no adverse media or political comment which tha Irish

Leyland truck operations from Rover Group in April last year. The so-called total quality The so-called total quality programme – headed by a newly-appointed director of quality – was introduced in 1986 when the company was losing money heavily. It is part of the effort to improve its per-formance and make it more ceedings in a British court. This, as the Irish well know, is almost impossible to achieve. While the hish media have tended to faithfully follow the Government line on the Ryan affair, there has also been attractive to a potential purchaser. Since January 1987 Leyland

affair, there has also been much prejudicial comment in the Republic. And while Mr Charles Haughey, the Irish Prime Minister, has insisted that extradition is a judicial and not political affair, Mr Murray, like his British coun-Daf claims that it has reduced the average number of defects which need to be rectified as the vehicle comes off the assembly line from 28 to 10 per vehicle.

At the same time the truck operation, based at Leyland, Lancashire, has reduced its

By Kevin Done, Motor Industry Correspondent LEYLAND DAF, the UK subsidiary of Daf, the Dutch commercial vehicle maker, claims to have reaped imporoverall warranty bill by around fin or some 10 per cent over the last two years, despite a doubling of production. The plant produced just tant benefits from a two-year

tant benefits from a two-year quality improvement pro-gramma. This has cut by, nearly two-thirds the number of defects per vehicle and has substantially reduced the com-pany's warranty costs. The system is under consid-eration as a model for the inder 8,500 trucks in 1986, but this year output will reach more than 13,000 and the plant is at present producing at a rate of 68 trucks a day or 16,000 vehicles a year.

In the last two years the Ley-land truck plant, one of the UK'a biggest commercial vehicle assembly operations, has improved the number of The system is under outside eration as a model for the entire Daf group. Daf is the fifth largest truck maker in West Europe and claims second place in the UK market, close behind Iveco Ford, after it took over the

has improved the number of vehicles coming off the assem-bly line "right first time" to more than 90 per cent of the total from 40 per cent at the beginning of 1987. Productivity at the plant has improved from 5 trucks per employee per year to nearly 14. improved from S trucks per employee per year to nearly 14. The quality programme has hitherto focused on manufac-turing, but it is increasingly being introduced into other functions including marketing, research, development and dis-tribution, as well into the pur-chasing of components as Ley-land Daf seeks to involve its suppliers in its quality improvement teams. Mr Aart van der Padt, chair-

Mr Aart van der Padt, chairman of the Daf management board, said last week that the Leyiand truck plant would be the main focus for future Daf the main focus for future Daf This is equivalent to some 12 growth, as its continental per cent of present output.

European plants in the Nether-lands and Belgium were working at full capacity. Daf has already transferred

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Daf has already transitived the production of about 1,000 units of its medium 1900 series trucks to Leyland for 1989, and Mr van der Padt said this was "only the first stage in a pro-cess" of consolidating the UK

cess" of consolidating the UK operations into the group's European production base. The Leyland truck plant and the Birmingham-based Freight Rover van plant were working at much higher levels of output than before the merger last year but still had "plenty of untapped capacity", said Mr van der Padt. He made it clear that Daf was planning further produc-

He made it clear that Dat was planning further produc-tion increases at Leyland to take the plant beyond its pres-ent single-shift working. Leyland Daf is currently in fierce competition with Volvo of Sweden and AWD, the for-mer Bedford truck operations, to win a crucial order for mili

to win a crucial order for military four-tonne general service trucks from the UK Ministry of Defence.

The MoD said that the con-tract would be awarded in mid-1989. Mr van der Padt said the coutract could add 2,000 trucks a year or 8 per day to Leyland production from 1990.

### **Building boom sends demand** for machinery to 10-year high

#### **By Nick Garnett**

SALES OF construction and earth moving machinery in the UK have jumped by more than a quarter in unit terms this year, probably the biggest increase in demand ever registered.

Demand for machinery is at a 10-year high, according to the Corporate Intelligence Group, a London-based industry analyst which refers to sales this year as "phenomenal."

Total sales of equipment this year are expected to total just under 25,500 machines, accord ing to an analysis of demand 28 up to November by Corporate Intelligence. The comparison is

**Construction output** Ebn at 1985 prices

34 Forenant 32

30 28

construction machinery com-pany is the world's second largest backhoe manufacturer after Case of the US. 1978 80 82 84 86 88 90

Since the early 1980s, how-ever, the biggest increase in sales has been registered by

road construction projects

### **Trade deficit spurred** by drop in oil prices By Ralph Atkins, Economics Staff

tion.

EXCESS DEMAND in the demand for more choice and economy has accounted for only half of the deterioration Sales of rough terrain lift trucks, for example rose from 2,880 in 1987 to an expected in Britain's trade position since 1985, according to a leading securities house.

2,880 in 1987 to an expected 4,250 this year. Backhoe loaders a - tractor-type vehicle with shovel in the front and digger in the back - had sales of 5.050 units last year but this is expected to rise to 6,500 this year. JC Bamford, the UK's largest construction machinery com-Factore such as the run-down in oll production and underlying trends in imports and exports have also contributed to the deficit, says a report by CI-Alexanders, Laing & Cruickshank.

It says that in the last three years the visible trade balance (which excludes services) has deteriorated by £18.5bn into deficit. Of this, excess demand has accounted for \$9.25bn.

The remainder is explained

### Culham joins US group in Star Wars arms project Britain bids for biggest SDI deal

#### By David Fishlock, Science Editor

BRITAIN is participating in a beam, a generator of neutralspace beam weapon project which could provide its biggest contract yet from the US Stra-tegic Defence Initiative, or Star Wars, research programme, worth as much as San to the **UK Atomic Energy Authority** over the next four years, The Culham Laboratory near

The report says: "To remove the excess demand, consumer spending would have to be Oxford, in southern England, is to link with Grumman Corporation, US aerospace company, in building a demonstration beam weapon for the US Army. more than 7 per cent less than current levels which suggests average sustainable growth over the last three years of only 2.5 per cent, compared

The prime contract, won by Grumman, consists of a one-year design contract worth \$5.8m, expected to be followed by a three-year \$45.8m contract to build and everate the dem-It also says that growth in

ised deuterium (heavy hydrogen) ions. gen) ions. It will involve a team of about 30 scientists headed by Dr Tom Green, who has speci-alised in the development of similar ion sources for research into harnessing

nuclear fusion. Culham has also worked with the Los Alamos National Laboratory in New Mexico on earlier beam experiments for the SDI programme.

seen as complementary to high-power lasers as a direct-

Culham was also proposed as sub-contractor for a rival bid submitted by Boeing, US aero-space group, which failed to get the US Army contract for

range.

travelling at or near the speed of light, to arrive like a thunderbolt striking the target. Normally, a beam of ious

would carry an electrical charge, but the deuterium ions will be neutralised as they leave the generator, so the beam will not be deflected by magnetic fields in space.

The neutral particle beam damages its target by dumping its energy deep inside, "blinding" electronics and detonating fuel and explosives, whereas the laser beam deposits its energy at the surface.

SDI scientists say the neutral particle beam has an additional advantage in being able

terpart, is a political and not judicial appointment.

the failure of exporters to meet

delivery schedules. • A loss of competitiveness. This, the report says, is less important than might be

expected and accounts for only about £500m of the deteriora-

based on unit sales machinery types. This compares with 19,700 last year and slightly under 14,000 in 1983.

Corporate Intelligence says, however, that 1988 will proba-bly be a peak year. "This does not mean that there will be any return to an early 1980s-style slump, more likely a healthy but unheated level of demand," the company says in its market report for Novem-

The main factor in the steep increase in machinery sales is the construction boom which is at an eight-year high. Corporate Intelligence says

that other factors include the replacement of ageing equipment fleets by new machinery and rapid expansion of the fleet hire sector.

The jump in unit sales is not matched, however, by an increase in sales value.

This is because there has been a steady switch in the 1980s towards smaller, and less costly equipment which can be used to do sevaral types of

This reflects the move towards housing, shopping pre-cincts, small factory building and repair and maintenance work and away from major

mini-excavators, a type of machinery for which the Japa-nese dominate the world market.

Sales of this machinery in the UK numbered 515 in 1983, The UK is now the world's biggest market for articulated dump trucks for which the country has two large British supplicre, DJB and Brown International.

International. Corporate Intelligence says it expects the machinery market to remain buoyant in the first quarter of next year. Market report, 2550 for yearby subscription. Corporate Intelli-gence Group, 51 Doughty St. London WCIN 2LS. Quadrex appeal begins **By Financial Times Reporter** 

• The effects of the steep fall in the oil prices at the begin-ning of 1986 and the subse-

quent general run-down in production. This is estimated to have accounted for £5.7bn of the total deterioration.

• Underlying trends which have boosted imports and reduced exports are estimated to account for nearly £2.75bn. These could include trends such as British consumers'

APPEALS BY Quadrex Holdings, the New York-based securities company, against two High Court judgmants finding it liable to British & Commonwealth Holdings for broach of contract and order.

breach of contract and order-ing it to pay £75m interim dam-

ages began yesterday in the Court of Appeal in London.

They are being heard together and are expected to

gress domestic preduct would have been lower - at about 2.5 per cent instead of 3.5 per cent. The report adds: "Even this

with an outturn of 5.4 per

lower rate of growth would still have entailed the balance of payments going into deficit because of the fall in the eil balance and the trend factors. A case could be made that the elimination of deficits caused by these factors would have necessitated even slower over-all growth."

the contract.

COACH

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onstrator.

The demonstrator is expected to approach the energy lev-els of the final beam weapon, as envisaged by the US Army

for use in space. If successful, this ground-based project will lead to a beam weapon for demonstra-

tion in space. Dr Peter Orman, Culham's commercial director, confirmed the Oxford company's contract could be worth \$14m for the design of the source of the

to discriminate between warrium demonstrator. Gromman participated in the heads and the much lighter

balloon-like decoys released at design and development of the leading US fusion research project, at Princeton; New Jerthe same time to confuse radar detection. The neutral particle beam is-

When the beam encounters a nuclear warhead it releases characteristic nuclear particles which can be pinpointed at long range. Grumman has developed a

ed-energy weapon for attacking missiles and warheads at long design for a neutral particle beam battle station and dis-criminator for the US Army Such weapons are expected to have the advantage over more conventional ordnance of Strategic Defence Command.

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50	184	409	606	837	1008	1164	1322	1497	1641
67	201	423	640	839	1018	1205	1351	1515	1662
73	211	452	650	865	1049	1207	1355	1519	1664
84	210	467	690	879	1057	1215	1356	1525	1684
103	251	478	693	891	1074	1246	1386	1563	1710
117	270	502	696	904	1096	1250	1401	t566	1714
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Londoo EC2R 7AE	Morgan Guaranty Trust Company
Union de Banques Suisses	of New York
(Luxembourg) SA	30 West Broadway New York, New York 10015
36-38 Grand-rue L-2011 Luxembourg	Aitn: Corporate Trust Operations

On or after the Redemption Date, the Redemption Price of the Class A-1 Notes will be paid upon presentation and surrender of the Class A-1 Notes together with all unmatured coupons appertaining thereto. Such payment will be made (i) in sterling at the specified office of the Paying Agent in London or (ii) at any specified office of any Paying Agent listed above by sterling cheque drawn on, or at the option of the holder by transfer to a sterling account maintained by the payee with, a Town Clearing branch of a bank to London. On or after the Redemption Date interest shall cease to accrue on the Class A-1 Notes. Coupons due on the Redemption Date should be collected to the usual manner.

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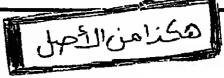
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and yet, 0 years old now.

Mitsubishi Motors Corporation starts a new life as a public company.

71 years ago, Mitsubishi Shipbuilding Co., Ltd. and subsequently Mitsubishi Heavy Industries Ltd., gave life to Japan's first production series passenger car, the Model A. This was the start of an illustrious history of developing many of the country's firsts in the transport field and earning a reputation as one of the pioneers of industrial Japan. In the air, on land and on the sea, Mitsubishi technology forged inroads to help advance the modes of commercial and personal transport. 18 years ago, Mitsubishi Motors

Corporation came into being through taking over the automotive manufacturing side of operations. Concentrating solely on the production of quality motor vehicles allowed them to make tremendous advances in rapid succession. Access to vast resources and varied fields of expertise through their close relationship with the other members of the Mitsubishi family has been an invaluable source of technological innovation and enables them to manufacture such a wide variety of vehicles; from 548cc minicars to 17,737cc truck tractors. And today, this tradition of pioneering advances in the automotive industry continues in the development of superb passenger cars like the Galant.

And now 0 years old, Mitsubishi Motors Corporation starts a new life as a public company, having been listed in the first section of the Tokyo Stock Exchange in December, 1988. To enable them to increase operating capital, it was seen as a timely move by the company and coincides with another important birthday; the roll-off of Diamond Star Motors' first vehicle produced in the United States. The fruits of a 50/50 joint venture between Mitsubishi Motors and the Chrysler Corporation.



#### MANAGEMENT

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### London Underground Mustering the front line troops under 'centurions'

Kevin Brown examines the new structure of an unpopular transport system

n tha face of it, Denis Tunnicliffe, managing director of the Londou Underground, has one of the least enviable jobs in Britain.

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enviable joos in Britain. Yet he takes an almost per-verse pleasure in the scale of the problem facing the world's biggest, oldest, and most unloved urban metro system. "I love exciting jobs. I like the challenge of a large organi-sation, I like the challenge of bringing it round " be says

bringing it round," he says. "This is e great fun job." Tunnicliffe joined the Under-

ground in July, eight months after the disastrous fire at King's Cross which killed 31 people, and in the middle of a storm of public criticism.

The storm worsened last month, when Desmond Fennell QC, the judge eppointed to investigate the fire, reported that it could have been fore-seen, and that Underground managers had consistently given more attention to econ-

omy than to safety. In a long catalogue of criti-cism, Fennell said there had been no efficient control of staff at King's Cross, poor communications, no evacuation planning, and an underlying view that fires were an occupa-

tional hazard. Tunnicliffe was left holding the baby when Tony Ridley. the Underground chairman, resigned, following the exam-ple of Sir Keith Bright, chairman of London Regional Transport, the state-owned holding company. His first action when the

report came out was to call in report came out was to call in the Underground's top 300 managers "to give them a vision of where we go from here." This is a question also asked by many of the Under-ground's 800m passengers. Part of the answer will lie with Paul Channon, the Secre-tary of State for Transport, who is currently considering a

who is currently considering a report on the rail needs of centrai London which will proba-bly be published in February.

Channon will have to try to persuade the Cabinet to agree to the funding of new rail lines to ease severe overcrowding on both the Underground and British Rail's suburban services.

In the meantime, it falls to Tunnicliffe to implement a far-reaching management shake-up, which will have to change the culture of every Underground system into 10 corner of the Undsrground empire if It is to be effective. Tunnicliffe insists that the

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shake-np is not a response to King's Cross – the first man-agement review meetings were held in September 1987, two months before the fire.

months before the fire. But the structure now being put into place is designed to deal with the major faults pointed out by the Fennel inquiry, including the claim that no-one at King's Cross. knew who was supposed to be in charge. The themes are broad: out-

side experience to counteract the parochial attitudes of the old railway; simplicity, so that the system is easily understandable; and accountability, so that a named individual is responsible for every occurrence.

The shake-up starts with the The shake-up starts with the board, which previously con-sisted mostly of executive directors - all career railway-men - who sometimes showed an unwillingness to learn from professional outsiders. The new main board

includes e number of promi-nent outside experts, including Professor Brian Mellitt, of Birmingham University, as engi-nsering director, John Har-greaves, formerly of Shell, as finance director, and Don Turner, a former planning manager at the British Airports Authority in a non-execu-

station.

posed to work) to six.

tive capacity. Tunnicliffs himself was recruited from the aviation industry, where he was a pilot before becoming a senior gen-eral manager at British Air-ways, and later special adviser to Sir Colin Marshall, BA's

chief executive. Beneath the main board there will be a new executive board, including the heads of personnel, finance, engineer-ing, passenger services, devel-opment and so on. This is intended to combat the depart-mental decision-making struc-ture which had developed in the Underground by instilling a corporate sense of responsi-bility in senior managers.

Bnt the core of the new that accounting changes can structure is the division of the bust big businesses np into

small ones. "There was a feeling that separate lines, each of which will have a general manager. this was too hig a business to have a natural human scale, This is in stark contrast to but it can be done and we have found a way to do it. Tunnicliffe accepts that the old management structure,

the old management structure, under which the railway was run by the "four barons" - the directors of civil, signals, elec-trical and mechanical engi-neering. Each of these "bar-ons" had broad responsibilities diffused over the whole sys-tem, but no-one was directly responsible, for example, for the lifts at individual stations. The new structure also there are important differences between the airline industry and the underground but insists that improvements can be made. "We have to get the best ont of our front line troops. They are never going to come round and offer customcome round and offer custom-ers a gin and tonic because there are certain logistical problems. But once we have redesigned the jobs so that peo-ple have a clear idea what their role is and who their boss is then we can help them with proper training; this can be done in any industry. "McDonalds has shown the way in this - you don't have to have very highly peid and highly educated people to treat. the public properly." The final area which ths management shake-up has to address is safety, which Fen-nell concluded was taken for The new structure also attempts to solve tha problems caused by shiftworking, which in the past made it easy for front line managers to avoid responsibility when things went wrong. There will now be a special

grade of managers, known informally as "Centurions" who will work flexible hours so that they can come and go at any time to liaise face-to-face with shift workers.

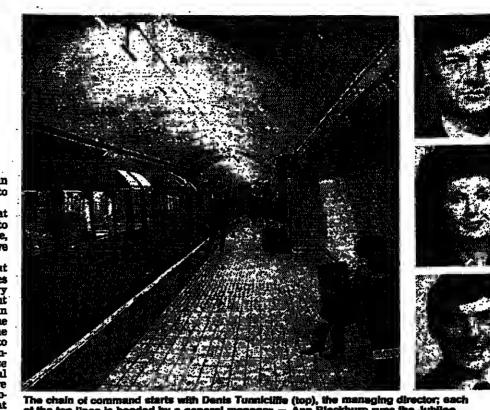
The theory of this innova-tion is that, for example, the dnty station manager at Embankment, who will be a nell concluded was taken for granted by most Underground shift worker, will report direct to a "Centurion" station manmanagers. Prime responsibility will lie with the line general managers. Bnt Tunnicliffa identifies two problems with ager, who will be responsible to the general manager for everything that happens in the

This system will introduce the element of direct personal responsibility for events which • Reporting upwards is usu-ally by culpable managers, which means that information may not reach the top of the management chain quickly; • Shifting safety responsibilwas largely missing from the previous structure. Tunnicliffe says the new

structure will reduce the vertiity down to line managers cal layers of management from around 15 (no-one is quite sure could mean there would be no across the board responsibility how the old system was supor hazard analysis.

The solution identified by The key appointments are the general managers, who will be responsible for safety, costs and revenue, personnel, mar-keting, and train services. Some of these services will have to be ordered from com-nany-wide divisions each as Tunnicliffe is to establish a new safety unit, headed by another director brought in from outside the Underground, which will "peer in from the side" at management.

"The safety unit will review pany-wide divisions, such as the engineering department. Tunnicliffe is at pains to point out that plans for drathe performance of general managers and provide research. help and advice. Bnt what managers have to remember is that if, God forbid, there should be another King's Cross, it is them and me who matic change were under way before he arrived. But he says he brought to the Underground go into the witness box, not the safety unit," Tunnicliffe "the knowledge that change is possible in big customer-ori-ented service industries, and says.



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The chain of command starts with Denis Tunnicijie (top), the managing director; each of the ten lines is headed by a general manager — Ann Blackburn runs the Jubilee Line, and Mike Strzelecki the Central Line

The new line management he key element in the

reorganisation of the Underground is the

accountability - a classic bureaucratic tendency to pass the decision making process upwards. Also, internal com-munications were totally inadequate." Strzelecki says the new

there were problems of

structure is capable of bring-ing about a revolution in maning about a revolution in man-agement efficiency, especially in getting the best out of the Underground's shift-workers, who tend to be the staff who meet the public. "Some of these people have been very poorly treated over the years. There is uncer-tainty, and morale is not good, but it can be cured by clear

L Underground is the decision to make each of the ten lines a discrete business centre, headed by a general manager accountable to the board. This is the first time the Underground has been divided in this way, and the performance of the 10 general managers will be crucial to the success of the new structure. success of the new structure. There are a number of com-mon factors in the selection of the ten: they are all relatively but it can be cured by clear young - the youngest is 27, the oldest 44; all have worked in areas other than train operations; and several were lines of command and face-to-face contact. "Sickness and absenteelsm

is frankly appalling; that is a clear indication of lousy man-agement systems in the past, and the Centurion system will involved in the review which drew up the new structure. One of these is Mike Strze-

lecki, 37, the new general manager of the Central Line, who will have the task of overhelp to solve that problem." Ann Blackburn, 44, the new general manager of the Jubilee Line, says the quality of Underground management has been unfairly criticised, partic-ularly since the King's Cross seeing a £720m modernisation programme due for completion.

in 1996. Strzelecki, a civil engineer who does not lack self-confidisaster. "There is nothing inherently wrong with many of the man-agers of the Underground; all dence, says it was his proposal to Tony Ridley, the former chairman of the Underground, which got the review started they need is the (right) envitwo years ago. "The chain of command was not clear, and ronment in which to operate," she says. "There are a lot of people who are bursting out of their jobs, who need an opporthere was confusion. It was tremendously complex and

tanity to show what they can do. There is a lot of talent around. But there will be individuals who will not make it." Blackburn, who joined the old municipally-owned London Transport organisation as a secretary in 1972, is herself an example of promotion on merit. She transferred to per-sonnel management in 1975, and was appointed the Underground's organisation and development manager in 1987. She, too, was closely involved

in the management review and thus the new structure. "I don't think it matters where you learn your skills of management. What matters is management, what matters is whether you are able to do the job, and the new system is designed to identify the people who will be able to provide what is needed," she says. Blackburn says it is impor-

tant that the new general man-agers have not been drawn en bloc from the operations departmant, which is currently responsible for train

services. "The problem with being a train operator is that you carry on playing trains. But I have never played trains, and neither has Mike. There are too many people around here who have been playing trains for years. But now there are many people who are prepared to challenge the old traditions

and the old practices."

### **BIM's** userfriendly helpline By Michael Skapinker

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EARLIER THIS year, the British Institute of Management revealed that many managers do not know how to use their company's computer systems.\* Those same managers, how-

ever, often require informa-tion available only through a computer.

The BIM has now come to the rescue, with a new service called Helpline. Peter Benton, the BIM's director general, says that even managers who are unfamiliar with computers should be able to learn how to use the service.

Relpline aims to provide managers with a simple way of gaining access to the BIM's own database of articles, abstracts and information abont courses and training. Helpline also provides access to three other databases: Reuter Textline, Jordans and Infocheck.

#### Developing

Helplins was first announced at the BIM's flrst national management confer-ence late last year. The Insti-tute spent £200,000 developing the service. An additional £90,000 was provided by the Department of Trade and

Industry. To use Helpline, managers need a microcomputer, modem, printer and the necessary communication software. It costs £100 for BIM members to register with Helpline and £200 for non-members. In return, users receive a pass-word to the system, a manual, and half a day's training in either London or Corby. After that, it costs £40 an hour for BIM members to use

the Institute's own database. The cost for non-members is £80. The price for use of the other databases is £100 an hour for Reuter Textline, £165 for Jordans and £240 for Info-

check. Further information on Hel-pline can be obtained from the BIM at Management House, Couringham Road, Corby, Nor-thants NN17 1TT. Tel: 0536-204222,

\*Managers and IT Compe-tence, from BIM.

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#### TECHNOLOGY

bout two hours south of Tokyo by train, in the wooded hills of the Chiba peninsula, is one of the most advanced semiconductor production facilities in the world.

This is not, as one might assume, a factory belonging to one of Japan's electronic glants. Rather, it is the bead-quarters of NMB Semiconductor, a Japanese start-up ven-ture funded by Minebea Co, the ball-bearing manufacturer. NMB is in the forefront of a

new generation of Japanese chip makers: companies being formed by large industrial conglomerates seeking new growth markets. On the heels of NMB's success, Kawasaki Steel, Nippon Steel and others are planning diversification into chip production.

In the four years since it was founded. NMB has not only advanced the state of the art of chip production, but also become the fifth largest sup-plier in the world of 256K D-Ram (dynamic random access memory) chips. It has churned out more than 40m chips in the past year to achieve a 9 per cent market share.

Regarded at first as an industry maverick, NMB is quickly gaining the respect of industry leaders. Yet this newcomer to the chip world is strikingly different from any US semiconductor start-up, and also contrasts with the established chip producers in Japan.

Whereas most recent US semiconductor ventures have begun as chip design teams, only some of which have been able to raise the capital to construct their own fabrication plants, NMB was in the business of mass producing chips from day one.

NMB has invested \$340m (£185m) in plant construction and equipment to build two production lines which are widely regarded as the most sophisticated and most automated of their kind. The company is about to begin construction of a new facility. which will house two more

Rather than attempting to design its own chips, NMB bought its first chip design from inmos, the UK semiconductor company, in the sum-mer of 1984 - the year the UK Government sold inmos to Thorn EML The high speed 256K D-Ram, designed at Inmos's now defunct Colorado Springs operation, represents NMB's highest volume prodnct, selling to leading computer workstation and personal computer manufacturers.

Indeed, the Japanese company has adopted much of the

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### BLERBERE Where cleanliness is next to good chip yields

Louise Kehoe examines the challenge posed to established US and Japanese semiconductor makers by a precocious newcomer

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original product strategy of the British venture, focusing on high speed, high performance memory chips that command a premium price.

Over the past three years, NMB has begun building up its own chip design expertise through technology alliances with US companies, including Vitelic, Lattice Semiconductor and Ramtron, all start-up com-panies. NMB has also acted as a "foundry" for other US chip

makers, producing memory chips on their behalf. Ramtron's alliance with NMB, signed in October, demanese semiconductor industry, NMB is not encumbered by a large workforce to which it owes life-time employment. This has freed the company to establish a highly automated chip fabrication plant. Forty operators, in two shifts, comonstrates the marriage of US design and Japanese produc-tion skills which has been the cornerstone of NMB's growth. Ramtron has developed, in laboratory prototype form, a new prise the entire production line workforce. Tha semi-auto-mated plants operated by other type of memory chip that promises significant perfor-D-Ram manufacturers typically have several hundred workers mance advantages. With NMB, It aims to commercialise its technology and develop a new

business culture.

per shift. In semiconductor productype of 4 Mbit D-Ram.

NMB will provide the pro-duction facility that Ramfron could not hope to build for itself. "We have spent four years and \$30m developing our reduced labour costs, but that anything is happening. Only the movements of silent robots and an overhead trans-port system hint at the progyears and som developing our technology. The kind of capital that would be needed to build a production facility – perhaps \$350m – is just not available in the US," says Richard Hor-ton, Ramtron president. He says of NMB: "They are not howeved down by the ers in the production area, air contaminants that can ruin the microscopic patterns etched on a semiconductor chip are kept to a minimum. Using advanced computer-sided manufacturing technology, NMB has removed workers from the critical pro-duction areas. not bogged down by the

bureaucracy that you find at large US, European or Japa-nese semiconductor companies; To ensure the highest possible level of cleanliness, the and they are not afflicted by the blindness or pride that pre-"active" areas, to which the silicon waters are exposed, are separated from the areas open vents many companies from acknowledging the value of technology that is 'not invented here'." to operators. In the active areas, NMB maintains a "class 1" environment, meaning that there is less than one particle with a diameter of 0.2 micron Indeed the differences between NMB and the established Japanese chip producers (millionth of a metre) per cu ft of air. This represents at least go well beyond its style or a tenfold improvement over Unlike the glants of the Japmost other semiconductor plants

The obsession with cleanliness extends beyond the production area. Visitors to the building are required to remove their shoes, traditional Japanese style. Tradition has nothing to do, however, with the no-smoking policy; it applies throughout the offices, which is unheard of in Japan.

Viewing the plant through the glass walls that separate three levels of progressively

ress of silicon wafers through

the fabrication process. "Visitors typically ask if the workers are on holiday," says Shosuke Shinoda, chief operat-ing officer, who has given guided tours of the plant to senior engineers from US and Japanese semiconductor companies. "We do not feel that we need to keep our plant a secret," he says. Such openness

is unusual, especially in Japan. Although US experts praise NMB's approach to chip pro-duction, they do point out that the highly automated plant is less flexible than most and would not be well suited to the production of a wide variety of

NMB acknowledges that it can take two or three weeks to relig its lines for a new prod-uct. But it says that this is balanced by the higher yields of good chips achieved through automation. The 80 per cent yield of good chips that it claims to be getting on its 256K D-Ram chips is far higher than the figure for competitors. Many would consider the

plant's location - well out of the Tokyo metropolitan area – a disadvantage. But NMB's managers prefer the clean air, clean water and open spaces of

their hillside "ranch". They point out that the company helicopter takes only 30 minutes to reach Tokyo.

service and the service of the servi

Whereas other Japanese chip plants have dormitories to house the women who typinouse the women who typi-cally work on the production lines, NMB provides an "Amer-ican village" of Western-style homes for its engineers. Com-pany facilities also include a "mansion" for the chief executive, a large home for his second-in-command, a spacious guest house and a swimming pool Such attention to the envi-ronment is extraordinary in a

country where land prices nor-mally preclude such extravagances. It is, however, an important element of NMB's effort to attract the best and brightest graduate engineers, who might otherwise be drawn to the safe harbours of Japan's leading electronics companies. Managers at NMB include some executives from the parent company, but day-to-day operations are led by semicon-

operations are led by semicon-ductor experts lured from other companies. NMB sells its products through affiliated marketing companies in Japan, the US and Europe. Sales for 1988 are expected to total more than \$270m and the company has been profitable on a monthly basis since August 1987. Next year, NMB will build np production of 1 Mbit D-Rams and begin construction of its third production line in a new building close to the origi-

of its third production file in a new building close to the origi-nal site. This will produce the next generation of D-Rams -4Mbit – which NMB expects to start making next year.

So far, the company has rid-den the crest of a wave of prosperity in the semiconductor business. That wave may, according to some analysts, break next year as the industry moves into a cyclical slowdown. It remains to be seen how NMB will weather the different conditions. Company executives are confident that they can reduce production costs if prices slump.

NMB's manufacturing prowess demonstrates the urgent need to upgrade US chip fabri-cation technology. It is the Japanese company's ability to acquire chip designs, through licensing and partnership arrangements, from US-based companies that is most worry-ing to leaders of the US semi-

conductor industry. Some accuse the US start-ups of "selling the crown jew-els" by dealing with a Japanese company. Yet where else can they find a company with the resources and willingness to take a risk on unproven chip designs?

A standard answer to electromic mail's language barriers By Hugo Dixon

IF YOU were unable to send a there is growing demand from letter abroad because foreign post offices could not read the English language, you would probably be frustrated. You might also suggest that the world's post offices each employed a few linguists to sort out the problem. A similar frustration is felt

by people who want to send each other electronic mail. Their problem is not simply an inability to communicats across international frontiers; they often cannot even send each other messages within the sams country because their

computers are speaking differ-ent dialects. ent dialects. The solution to these prob-lems – called X.400 – is now at hand, according to a report<sup>\*</sup> published this month by Ovum, the London-based mar-ket researchers. X.400 is a com-munications standard which allows electronic mail systems, which speak different languages, to talk to each other.

It also enables incompatible electronic data interchange (EDI) systems - a type of electronic mail which companies use to order goods from suppliers - to communicate.

Both the electronic mail and the EDI markets are in their infancy, but they are growing so rapidly that the need to link together different systems has become pressing.

X.400 was developed in 1984 by the CCITT, the international telecommunications standards body, but so far only 500 computers in the world use it. This is partly because software incorporating the X.400 standard has only recently come on to the market.

Ovum now expects X.400 to take off rapidly, with 650,000 computers using it by 1994. It will be implemented more rapidly than any other major standard in the information techhology industry, say the authors of the report. One reason for this optimism is that X.400 was adopted ear-

her this year by the Interna-tional Standards Organisation (ISO) as part of its drive towards open communications systems. X.400 is the first application to be ratified by the ISO in its Open System Inter-

connection campaign. A second reason for the upbeat assessment is that

consumers for a more wide-spread use of electronic mail. Case studies in the report show that the most popular reason for adopting X.409 is that large organisations want to connect several incompatible private electronic mail systems. For example, Hoechst, the West German chemicals company, is using X.400 to connect internal electronic mail systems devel-oped by IBM, DEC, Hewlett-Packard and others.

This, however, is only the beginning of the process. The big step forward for X400 will come when public electronic mail systems, such as British Telecom's Telecom Gold, are linked. At present, people using Telecom Gold can communicate with anybody else on the same system but not with those using Mercury Commu-nications' Link 7500.

Ovum reports that public electronic mail systems in the US, France and the UK are beginning to connect their net-works with private systems. However, connecting two or more public systems raises tricky questions of tariffing and competition.

It is in the interests of a con pany operating a small public system to connect it with a larger system, because it can then offer its customers the chance to send mail to a much larger number of people. But it may be in the interests of the larger system to refuse to link up and so try to stifle its smaller competitor. Whatever the competitive arguments of the operators, it is clearly to the advantage of customers that as many systems are

linked up as possible. Competition considerations will also influence how electronic mail systems are linked internationally. The traditional approach in the telecommunications world would be for the monopoly operators in each country to collaborate with each other. Ovum, however, thinks that the progressive lib-eralisation of the world's telecommunications markets and competition from computer companies will turn what is expected to be a juicy source of

revenues into a free-for-all. \* X400 Markets: the Users Decide; Ovum, 7 Rathbone Street, W1P 1AF.

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There is still demand from a number of leading firms for analysts with a good knowledge of European equity markets.

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YOU do not have to be a professional actor to run into type-casting trouble. That much is clear from letters and calls the Jobs column receives on average once

receives on average once every couple of weeks, although there has been a sudden increase of them in the past few days. Normally, the people in question typically explain that while they like their present organisation, they want to change the type of work they do in it. But their attempts to do so through the established channels have been in vain. So they have been in vain. So they want to know what is the best way to proceed. All I can do in reply, alas,

is gnote a line by John Donne: "If you find one, let me know." Nobody could be more perpleted than I am by more perpleted than I am by the apparently still persisting law of employment which I first heard stated 30 years ago as: In general, it is easier to change your company than your department your depri

your department. The strong type-casting tendency it describes seems senseless. The evident root of the idiocy is a belief that people's ability to do well in a job depends predominantly on their technical skill at it. That is peuglik not so That is usually not so. However great our technical expertise may be, we can rarely use it effectively

unless we understand the business we are in and the people we have to work with.

When nobody with both kinds of proficiency is to hand, a choice must of course be made between them. But there is surely no reason for largely preferring either one to the other. Employers would have as much chance of good results by transferring someone knowing the business but unfamiliar with the job's technicalities, as they would by recruiting somebody knowing the technicalities

knowing the technicalities but not the business. My guess is that the real root of the type casting lies in organisational politics. In most companies, the various sections are continually vying with one another in the power struggle. So the departmental chiefs are often chary of importing staff from other fiels lest, since old loyalties die hard, they should betray their new department's secrets to the department's secrets to the one they served before. That abjection, however,

can scarcely apply to the half dozen people with type-casting problems who have contacted me this past week. For nobody is likely to feel loyalty to a former employer that has thrown them out. The six were City of The six were City of andon securities-dealing London

#### By Michael Dixon

Persistent threat of the type-casting trap

JOBS

staff dismissed by Morgan Grenfell. (Their plight is admittedly easier than that of the 2,000 Wearsiders shed by North East Shipbuilders. Position Chief executive but I have not heard from Finance head any of them.)

The callers' inquiries shared a common theme. Convinced that the outlook is bad for securities workers of D-P head their kind, they are keen to convert themselves - at a reduced pay-level, of course - to some other specialism still in demand.

They are right to think that the finance eector remains short of skills. For example the latest survey by City recruiters Jonathan Wren cites various sorts of candidates with an average salary of £35,000-plus who got new jobs at rises of over 5 per cent. They included financial controllers, monsymarket managers, businesssystems analysts, and credit and lending specialists as well as corporate- and project-finance people.

Hence finance concerns could well gain by converting displaced securities staff who, given their experience in the City, would take a comparatively short time to learn their new role. But although I promised to air the idea, I suspect the typecasting barrier is too strong to be shifted by good sense.

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NOW to the table above which abows that, despite the upheavals in the London finance sector, its high rankers still tend to be better it is a commensurately cheaper model. As can be seen, finance-sector chief executives and heads of personnel and dataoff than their counterparts in British industry. The figures come from the latest update processing clearly do better for overall rewards than their industrial equivalents. of the survey made by the Noble Lowndes executive-pay The only City enecutive who is worse off is the one in charge of internal finances, consultancy (PO Box 144, Norfolk House, Wellesley Rd, Croydon CR9 3EB; telephone perhaps because familiarity with risking money breeds contempt for those who merely manage it. 01-686 2466, fax 01-681 1458).

#### **Plant** chief

The consultancy's survey is unusual in patting a money valuation on in-kind fringe benefits. The table takes four types of senior manager found in companies of comparable size both in finance and in industry, and values their perks in terms of **RECRUITER Brian Standring** is offering a plant manager's jnb which has the rare distinction of being thought most suited to someone aged over 45. Since he may not name his client, he promises to recepct applicant'e values their perks in terms of £1 for every £1,000 of their respective average salary. Accordingly the fact that the

requests not to be identified to the employer at this stage of the proceedings. Tha Japanase-ownad company, in the Midlands, is

Value of additional rewards for each \$1,000 of basic salary

Mortgage

nii

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£51

nii £89

nli

£66

Pension

£120

£170

£127

£164

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£122

13

Total

£400

2460

£391

2492

2404 2495 2382

Others

£10

£10

£4 £5

nil E2 E3

an innvative computer-industry business with an extensive product range. The recruit will be responsible to the general manager for the production plant's complete activities activities.

Candidates should have success in running a similar operation, but the key need is a demonstrably sure touch in managing people. Prime tasks will be developing strategy, ensuring high quality, and injecting hard commercial discipline into all

of the plant'a activities. Salary around £30,000, perks include car.

Inquiries to the Standring

Partnership, 17 West Street, Marlow, Buckinghamshire SL7 2LS; telephone 0628 890211, fax 06285 24226.

**Price Waterhouse** 

### **International Marketing Manager**

#### **C** London

Price Waterhouse is one of the first truly transnational professional service organisations operating throughout the world. Recognising that an international market place demands global strategies, we have created a world management board to lead the development of our worldwide organisation. As part of the new structure, an international marketing support group has been formed in central London to enable us to take full advantage of the opportunities that a growing market and the increasing globalisation of business offers.

Reporting to the World Firm Marketing Partner, you will be involved in advising on all aspects of marketing with particular emphasis on international marketing strategy, research and support as well as corporate image and communications.

#### c£40,000 + Car

record in a high profile, service orientated environment. International experience of working at a senior level with multinational corporations is considered to be essential. Naturally your exceptional interpersonal qualities will play a significant part in building effective relationships both internally and externally. Considerable creative and analytical skills are prerequisites.

Career prospects are excellent and will be based entirely on your success in helping to create and support successful marketing initiatives. Salary is negotiable and includes a range of benefits that would normally be associated with an international firm.

Interested candidates should ring David Bodmer, who is acting for us, on (0753) 840858 or write to him at Michael Page Due to continued expansion, the London Branch of one of the largest and most prestigious Japanese Banks is currently recruiting for the following positions:

ASSISTANT MANAGER - CUSTOMER SERVICES Assistant individual control of the Manager - Loans/ Operations, will be responsible for the day-to-day control of the Credit/Debit Clearing, Opening/Clusing Accounts, Standing Orders, Cash Counter, and Inward/Outwerd Remittance sections. He/she will bave at least 5 years relevant experience at supervisory leval, preferably from a learing bank background, and will have the ability to mprove and maintain procedures to high standard whilst managing, controlling and motivating staff.

ASSISTANT MANAGER - FOREIGN EXCHANGE/ MONEY MARKET SETTLEMENTS The successful candidate, reporting to the Manager, Dealing Back-Up, will be responsible for the overall operation of the Pareign Exchange and Money Market settlements function. He/sbe will have at least 5 years relevant back affice experience, with the ability to manage, motivate, train and ievelop staff.

The successful candidates will be age 30 - 40, with a dedicated, hard-working and fickible approach to work and must possess the ability to communicate effectively. Salaries and benefits will be commensurate, with positions of this seniority.

Both these positions are new and are part of a local management structure which provides for an opportunity for advancement into more senior managerial positions,

Applications should be made by submitting a Curriculum Vitae stating experience, salary, personal details and qualities, together with a covering letter to:

### Jonathan Wren EQUITY CAREERS

**Recommendation:** Long Term Buy Price: Tenders invited to £70,000

Further to our report of July 20, 1988, we are pleased to announce that prospects for equity analysts and salesmen in the first quarter of 1989 are good. Demand is for both sector and geographical specialists, as prime competitors in the securities industry continue to expand assertively their global research and sales functions.

#### CONCLUSION

As leading equity recruitment specialists we regard the above as high yielding long-term career investments for both analysts and salesmen.

A comprehensive report on current opportunities available with prime competitors can be obtained from Ann Winder on 01-623 1266 between 8am and 6pm.



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#### U.S.A.

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#### **Trade Finance Business Development/Forfaiting**

Prime U.S. insurance company with New York base has vacancy for graduate, finance related, A.C.I.B. preferred, ideally with general familiarity with European commercial banking communities. European foreign language capability, preferably Spanish.

To develop trade finance/forfaiting relationships with U.S. regional banks and exporters.

To identify and cultivate secondary market for trade finance paper. Intensive U.S. travel.

Suit articulate, personable hard driver. Salary commensurate with experience and results.

C.V in confidence to Box No, A1076, Financial Times, 10 Cannon Street, London EC4P 4BY

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Hill Samuel Bank Limited, one of the Country's leading Merchant Banks, with branches in several major cities, invites applications for a senior managerial appointment at its expanding Midlands Regional Office based in Birmingham. There will also shortly be vacancies in other parts of the country.

The successful applicant is likely to be a University Graduate and in the age range 28-34; candidates must be professionally qualified, ACIB, and already holding a position of responsibility either in a clearing bank or other financial institution.

The position offers an immediate challenge in a corporate banking environment as a high ranking member of the branch managerial team, Hill Samuel is currently engaged upon a major programme of expansion of its branch network, and it is anticipated that for the right person this post will be the first step in a rewarding management career with the Bank.

The post will carry the type of remuneration package expected for this level of appointment together with the usual fringe benefits provided by the banking sector.

If you believe that you have the ability and experience to match the demanding standards required by a major Bank you should in the first instance write to:

> Mrs Anne Dunford, Manager - Personnel Department, Hill Samuel Bank Limited, 100 Wood Street, London EC2P 2AJ

HILL SAMUEL

#### "CREATIVE" TRAINING MANAGER

Our client, a major investment bank, seeks a professional with hands on experience of training gained within a major bank or financial services institution. Age range will be c40 years, probably a graduate/IPM qualified. This is a greenfield situation, hence the ability to dentify, create and develop a fully fledged, high quality management training facility is essential. Salary c£45,000 + benefits.

#### **UK CORPORATE** FINANCE

"Deai Driven ACA's"

We seek capable young ACA's with some experience of pricing structuring trans-actions covering M&A, LBO's, MBO's, tax based products or company investigations. Candidates must be able to take responsibility fairly rapidly. Salary neg: £28-£35,000 + benefits.

#### FOREIGN EXCHANGE SPOT DEALER Our client seeks at least three years

active spot trading/cable experience which must include US\$/Yen. Candidates must show the potential to quickly progress. Salary neg + full benefits.



CONTRACTOR 2010 In 2012 International Accession Sectors (2012)

A UK merchant bank plan to expand their corporate finance division and therefore seek applications from graduate bankers aged 28-35 years, with proven credit skills and at least three years marketing experience, hopefully encompassing lending, asset-swaps, property, leisure sectors both on and off balance sheet. Salary neg £28-£35,000 + benefits.

#### BANK ACCOUNTING

Several clients seek applications from qualified or part-qualified accountants who have at least two years management or financial accounting experience gained from within e major bank. Product knowledge needs to cover treasury/ investment or commercial banking. Salary range is £25-£30,000 plus benefits.

#### LEASING ADMINISTRATION

Our client, e UK merchant bank, seeks e bank trained graduate, who has several years experience of big-ticket leasing administration covering computerised lease evaluation systems documentation etc. Progression to e marketing role is assured in the medium-term for the right individual. Salary neg £17-£20,000 + bank benefits.

OLD BROAD STREET BUREAU LTD STAFF CONSULTANTS 65 London Wall, London EC2M STU Tel: 01-588 3991. Fax: 01-588 9012

#### FINANCIAL TIMES WEDNESDAY DECEMBER 14 1988

#### SENIOR BANKING AND CREDIT SPECIALISTS

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Long-term positions based in North African and Middle East Capitals. Two positions currently open in Egypt: (a) Agricultural Credit Specialist, with extensive experience in production loan review, developing lines of short-term credit for intigated sgriculture. (b) Financial Capital Markets Specialist, with direct Treasury experience, including tracking and projecting capital needs and experience in accessing capital markets.

Other assignments apcoming in other countries.

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All positions require a minimum of 10 years professional experience, senior management experience; international consulting experience

Respond in writing by 23 December to: Chemonics International, 2000 M Street, NW, Seite 200, Washington, DC 20036 USA. Atn: John Hardles, telez: 440361 CHNC UI, faz: (202) 331-5202

#### EXPERIENCED RECRUITMENT CONSULTANT C£48,000

We are a Mayfair based financial recruitment consultancy operating in the banking, financial and commercial sectors. We are looking for a dynamic and ambitious individual of management level to assist us in our expansion. He or she must, in this particular case, have a proven track record in this area.

Send CV to Susie Trevor, The Brombard Group, 3 Cork Street, London W1X 2LQ or call on 01 734 3262

### **General Manager**

### A new and unique challenge in Retail Financing

#### Saudi Arabia

Substantial tax free negotiable salary

Our client is a newly formed company, created to senior experience in a credit/financing position with an capitalise on the growth In the Kingdom's consumer credit needs. The company's initial objective is to offer credit facilities for car purchases and other substantial capital items.

Reporting to the President, you will have total profit responsibility for setting up all systems and procedures, including customer risk assessment and credit worthiness. The installation of a computer system, selection of key personnel and guiding the business on a sound commercial footing are essential. Probably a business graduate, you must demonstrate

MSL International

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investment, banking or credit card organisation, Total familiarity with current practices and procedures in consumer credit is essential, together with initiative, man management and flexibility. Previous Middle East experience and Arabic are desirable.

The negotiable salary is substantial and will not be a limiting factor. In addition there will be generous expatriate benefits, including profit share.

Please write in confidence with full career details, quoting ref: B.1281, to G.E. Yazigi, Director - Overseas Recruitment.

MSL International (UK) Ltd, 32 Aybrook Street, London W1M 3JL Offices in Europe, the Americas, Australiasia and Asia Pacific,

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MERCHANT BANKERS A member of the TSB Group. A member of The Securities Association

### Treasurer **International Bank–Paris**

Our client, a major International Bank is seeking a high level of self-motivation. to recruit a Treasurer for its Paris branch. Report-The Package of this highly attractive position will

ing directly to the General Management, the successful candidate will be in charge of developing the Forex and Treasury desk.

A member of the Treasury Committee, you will Contact Yves Boissonnat in Paris on manage the team of forex and treasury dealers. 010-33 1 42 89 3003 or write enclosing a full Bilingual French/English, with an excellent know- CV to Michael Page France, 10 rue Jean ledge of the FX and Money market, you

must have strong interpersonal skills and

Goujon, 75008 Paris, FRANCE (quoting Ref. YB291FT).

potential.

Michael Page France International Recruitment Consultants London Amsterdam Brussels New York Paris Sydney

#### -NORWICH UNION FUND MANAGERS LIMITED

### INVESTMENT ANALYST

Norwich Union is one of the fastest growing insurance and financial services groups in the UK, a market leader and an equal opportunities employer.

Norwich Union Fund Managers Limited, members of IMRO and managing total funds in excess of £12 billion, seek an Investment Analyst to join the research team which provides fundamental analysis and original research on equities. As a senior member of this team, you will have the opportunity to play a key role in its activities and future development.

Educated to degree level you should have at least 3 years' relevant experience. A sound

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analytical training coupled with an enquiring mind, good communication skills and a high level of self motivation are essential.

be directly related to your experience and your

The post is in Norwich, a prime location within easy reach of the City, and the fully competitive salary is backed by a first class fringe benefits package including performance related bonus and comprehensive relocation assistance where appropriate.

Please send full career and salary details to: Miss Phyl Scott,

Head Office Staff Superintendent, Norwich Union Insurance Group, Surrey Street, Norwich, NR1 3NG.

NORWICH **UNION** 

Lawyer

#### Compliance

Our client, one of the major European institutions with a well-established presence in London, seeks to appoint a young, high calibre lawyer to its compliance department.

As part of a respected and high profile department reporting directly to the Chief Executive, you will enjoy a varied and interesting role. Responsibilities will include the preparation of ad hoc reports,

investigations, dealing with queries and assisting with staff education. An important aspect of the role will be to monitor and react to changes in the rules of the regulatory organisations, including TSA, IMRO, AIBD, SIB and the Bank of England.



International Recruitment Consultants London Paris Amsterdam Brussels Sydney

### £25-30,000+Bens.

Candidates will probably be recently qualified solicitors. Whilst some compliance experience would be an advantage, it is not mandatory. Barristers with compliance knowledge gained within a securities trading or investment environment may also be considered. Excellent opportunities exist for candidates committed to a career in investment banking.

Interested applicants should phone Karin Clarke on 01-831 2000 or write to her at Michael Page City, 39-41 Parker Stree London WC2B 5LH.

> Halls in a H. later p



#### **MANAGING DIRECTOR**

nal banking, trust and investment management organisation with assets exceeding \$4 billion and 1.500 staff in eight locations worldwide.

We ar looking for e Managing Director to develop and expand the activities of our Cayman Bank and Trust Company Subeldiaries. It is our Intention to Increase the size and scope of our activities in terms of marketing, administrative capacity, computer systems and staff,

We are seeking an appropriately experienced and qualified person to manage this expansion using the worldwide facilities of the Bank of Bermuda Limited and its oversees subsidiaries.

The successful candidate should have ten years management experience in an International trust and/or private banking organisation. The ability to speak a foreign language, especially Spanish, will be a particular advantage. We will also be looking professional qualifications in either the legal, trust, banking or accountancy fields.

An attractive salary plus benefits package will be offered commensurate with the experience, qualifications and ability of the successful candidate.

Interviews will be held in Caymen, Bermuda or London early in 1989. Applicants should please submit their CV's by 1st January 1989 to :-

Mrs. Nea Roloff, Personnel Officer, The Bank of Bermuda Limited. onnel and Administration Building. Gorham Road, Hamilton, Bermuda

Tel: 809-295-4000 extention 3320 Fax: 809-292-3814

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#### **UK NEWS**

### **FT LAW REPORTS**

### Nations should learn from Reinsurance case goes to arbitrator Britain, says Oftel chief

#### By Terry Dodsworth and Hugo Dixon

CALLS FOR further liberalisation of the telecommunications industry domimunications industry domi-nated the first day of the Financial Times World Tele-communications Conference in London yestenday, with several speakers emphasising the ben-eficial impact of deregulation over the last few years. Professor Bryan Carsberg, director general of the UK's

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director general of the UK's Office of Telecommunications, advised other European countries to learn from the UK experience, when they started to open up their markets for telecommunications terminal equipment. Tough regulations were needed to make sure there was effective competition between new competitors and the established monopolies. It was not good enough, he

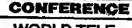
It was not good enough, ne said, for the regulater to sit in his office waiting for com-plaints. "If you mean to have competition in this area, you must have pro-active regula-tion - regulation that actively encourages competition." Regulators would have to adopt detailed rules to ensure fair play fibrar more impute

fair play. Even more impor-tant, though, Prof Carsberg was to create the right said, psychology so that new com-petitors were not deterred from entering the market in the first place by a fear that they would discriminated against.

discriminated against. A ringing defence of the ben-efits of open competition in telecommunications services was given by Mr Desmond Hudson, president of interna-tional operations at Northern Telecom, the large Canadian manufacturer manufacturer. "Countries that fail to

embrace the new information technologies will be at a disadvantage in the global marketplace, where information is fundamental to economic growth and competitive advan-tage. Any restrictions on the flow of information will only blunt economic progress."

culty



shortages weak organisation, unsatisfactory management and inadequate control mecha-WORLD TELE~ COMMUNICATIONS

and inadequate control mecha-nisms for the industry. Mr Charles Coe, president of BellSouth International of the US, said deregulation in Amer-ica and the breakup of the AT&T monopoly had led to a great diversity of new services Mr Richard Hooper of the PA Consulting Group said business was finding it difficult to make the most of the convergence between telecommuand rapid expansion of the nications and broadcasting because of the multiplicity of different regulatory bodies. "When will the institutional industry over tha last five VARTS

years. Choice in equipment sup-plies had been stimulated in the changes, he added, noting that BellSouth had moved from purchasing almost all of its products from AT&T to buying structures and regulatory structures and regulatory mechanisms catch up with the reality of a technology that no longer knows or cares whether the 0s and 1s are bearing good old voice telephony, data, still or moving images? Until they do, the business telecommuni-cations user will achieve greater productivity with diffi-culty." only 65 per cent from its for-mer parent company. The introduction of more competition in the Japanese Telecommunications market

has led to sharp reductions in tariffs for telephone services, according to Mr Yasue Otaki, cuity." Mr Herbert Ungerer, deputy head of the Telecommunica-tions Policy Directorate at the European Commission, empha-sized the Commission's comleputy director of the Genera Communications Japanese Ministry of Posts and Telecomminication Mr Otaki, whose speech was mitment to maintaining the

momentum of its Green Paper read for him because he was proposals for the deregulation of the industry in Europe. He particularly stressed the attending a parliamentary inquiry in Tokyo, said that new telephone operating com-panies entering the Japanese market had launched new ser-vices at prices shout 20 per cent lower than those of NTT, no particularly speed the moves towards an open market in value added services. These initiatives are expected to be dealt with in greater detail over the next few days in a Commission paper on liberalis-ing service industries generally in the Community. the main Japanese operating NTT had responded by low-

World Bank, said there was an urgent need for overcoming capacity constraints, which led to inadequate telephone ser-vices and restrictions on gen-

eral economic development. Mr Wellenius blamed poor

services on a mixture of capital

NTT had responded by low-ering its charges for leased telephone lines and by cutting its rates for long distance calls. Sir Donald Maitland, deputy chairman of the Independent Broadcasting Authority, who was chairing the first day of the conference, also spoke. in the Community. Turning to the problems faced by the telecommunications industry in developing countries, Mr Bjorn Wellenius, the principal telecommunica-

HOME & OVERSEAS INSURANCE CO LTD Y MEN-TOR INSURANCE CO (UK) LTD Court of Appeal (Lord Justice

Parker, Lord Justice Lloyd and Lord Justice Balcombe): December 9 1988

A REINSURANCE dispute as to whether payment under the original insurance is a condition precedent to reinsurers' liability should be determined by arbitrators, though the arbitration agreement entities them to construe contractual wording more lemently than would e court of law, and is not suitable for summary judg-ment in that it raises serious es requiring full consideration

The Court of Appeal so held when dismissing an appeal by the plaintiff, Home & Overseas Insurance Co Ltd. from Mr Jus-tice Hirst's decision (FT August 10 1988) dismissing their application for summary judgment for a declaration as to their rights under reinsur-ance contracts between them and Mentor Insurance Co (UK) Ltd, and granting Mentar e stay of proceedings. LORD JUSTICE PARKER said

that from 1978 to 1981 a num-ber of identical reinsurance contracts were made between Home as reinsurers and Mentor as reinsured The contracts provided that

the reinsurance was "(1)... only to pay an ultimate net loss to the reassured of £60,000 ... (5) The term 'ultimate net loss' shall mean the sum actu-

reinsurers and . . . shall be repayable by them upon rea-sonable evidence of the amount paid being given by the reassured".

An arbitration clause pro-vided that any "disputs" should be referred to arbitra-tors who "shall interpret this

further details.

Primary Industries.

expatriate candidates will be considered.

engagement, and they shall make their award with a view to effecting the general pur-pose of this reinsurance in a reasonable manner rather than accordance with a literal interpretation of the language". On August 23 1985 Mentor went into voluntary liquidation. There were outstanding claims in the liquidation by various insured. Home applied under RSC

Order 14 for a declaration as to its rights under the contracta. It contended that payment by entor to its insured was a condition precedent to its right to recover from Home.

Mr Justice Hirst dismissed the application and granted Mentor a stay of proce pursuant to section 4 of the Arbitration Act 1950 [which provides that if a party to an arbitration agreement begins legal proceedings on a matter agreed to be referred, the court may order a stay]. Home

may order a stay, nome appealed. Mr Clarke for Home said there was only one possible construction of the words in clauses 1, 5 and 15 of the con-tract. They showed that pay-ment was a precondition to the right of recovery that no arbi-trators property applying the law could come to any other conclusion. So there was no "dispute" and Home was enti-thed to judgment. He said the arbitration clause was of no avail because construction was avail because construction was a matter of law and whatever the "honourable engagement" provision allowed, it could not allow the arbitrators to depart from the law.

The purpose of Order 14 was to enable a plaintiff to obtain a quick indgment where there was plainly to defence. But it should not be allowed for obtaining an immediate trial. Where there was an arbitra-

tion clause it was more neces-sary that full scale argument should not be permitted. The parties had agreed on their chosen tribunal and a defen-dant was entitled *prima facle* to have the dispute decided by

that tribunal In the case of a commercial arbitration those remarks applied with even greater force, especially when the dispute turned on construction. Arbitrators in the same business as the parties were as well or better able than the court to

or better able than the court to judge what they intended by the words used. The court should not, save in the clearest of cases, decide the question without their views. If the point of law relied on . by a defendant relsed a serious question to be tried calling for detailed argument, and mature consideration, the point was not suitable to be dealt with in Order 14 proceedings. Order 14 proceedings. The first issue raised was

whether "ectual" payment under clause 5 of the contract could be taken to mean estab-lished liability to pay, at least upon liquidation. There was no doubt that the question raised deserved mature consideration. Some of the factors which influenced that conclusion were that in Gether (1855) 15 CB 599 the court took the view that the natural meaning of "paid" was paid or contracted to be paid; and in *Eddys-tone/1892*; a "pay as paid" clause in a reinsurance policy was construed as not making payment a condition precedent. The second issue was as to the extent to which, if at all, the arbitration clause enabled the arbitrators to depart from the ordinary and natural mean ing of the words. Mr Mance for Mentor submited that the clause was valid and permitted the arbitrators to treat the question of interpretation more lemently than would be done if the matter were heard in court. Mr Charke submitted that the clause made no difference, or if it did, it was invalid.

An arbitration clause which purported to free arbitrators to decide without regard to the law and according to their own notions of what would be fair, would not be valid, But the present clause did no such thing. It appeared to do no more than give the arbitrators

liberty to do that which was approved by the House of Lords in *The Antaios* [1985] AC 191, where Lord Diplock said that "if detailed semantic and syntactical analysis of words. in a commercial contract is going to lead to a conclusion that flouts business common-sense, it must be made to yield to business commonsense".

to business commonsense". In the present case the clause, in appropriate circum-stances, warranted arbitrators in doing what they did in *Antoi*os, that is, departing from literal or ordinary material meaning. It was doubtful meaning. It was doubtful whether the clause conferred any further latitude, but it was ossible and undesirable to hay down the precise limits of the clause in the abstract. The third issue was whether

section 597 of the Companies Act 1985 [which provides that a company's property on wind-ing up shall be applied in satis-faction of its liabilities overrode the requirement (if it were one) that the reinsured must pay before be was entitled to recover. That might be a factor in

interpretation of the main contract on the first issue. If, however, it was a separate point, it was a serious one which required detailed argument. There was a serious defence.

Mentor was entitled to have it tried by its chosen tribunal. If that tribunal decided in its favour, Home might seek to obtain leave to appeal. When and if that arose the court would bear in mind that even in a case which turned on the construction of a standard term, leave should not be given unless a strong prima facie case was made out that the arbitrator was wrong in his construction. The appeal was dismissed. LORD JUSTICE LLOYD agree-

ing, said that Mr Clarke argued that arbitrators would be bound to adopt the same approach as a court, and accordingly there was no dis-pute within the meaning of the clause. The arbitration clause was ancillary to the main contract, but that did not mean the court should diaregard it when determining whether the case was suitable for summary

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The clause provided that any dispute as to the rights of the parties should be referred to arbitration. The arbitrators were required to approach their task "with e view to effecting the general purpose of the insurance in a reasonable manner rather than on a able manner range than of the lan-guage". In *The Antaios* Lord Diplock held that the arbitra-tors were entitled to take a

commonsense view. The most helpful case in the present context was DST v laknoc [1987] 2 FTLR 17. There an arbitration clause provided for arbitration in Geneva in accordance with ICC rules. It provided that in the absence of any indication by the parties as to the applicable law "the arbitrators shall apply the law ..., which they deem

appropriate". The arbitrators, in the absence of any indication as to proper law, applied interna-tionally accepted principles of law governing contractual rela-tions. The award was held to

be enforceable as a judgment. If the English courts would enforce a foreign award where the contract was governed by a system of law which was not the law of England or any other state, why should it not enforce an English award in like circumstances? And if it would enforce an English award, why should it not grant a stay? The court would be doing the insurance community great disservice if it were to usurp the decision which rightly belonged to the tribu-nal chosen by the parties. Lord Justice Balcombe also

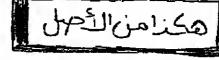
For Mentor: Jonathan Mance QC and Gavin Kealey (Cameon and Gavin Kooley (Came-ron Markby) For Home: Christopher Clarke QC and Stephen Rutile( Ince & Co)

**Rachel Davies** 



You will join a small and highly professional team leading major financings both in and out of London. The bank seeks to make maximum use of a large balance sheet and

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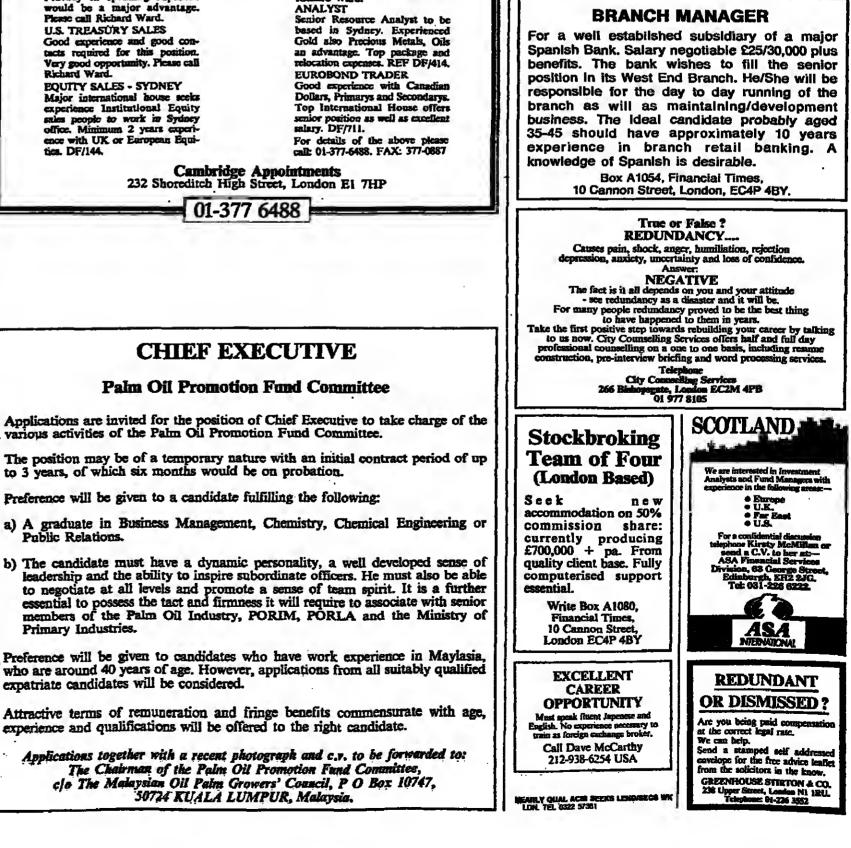
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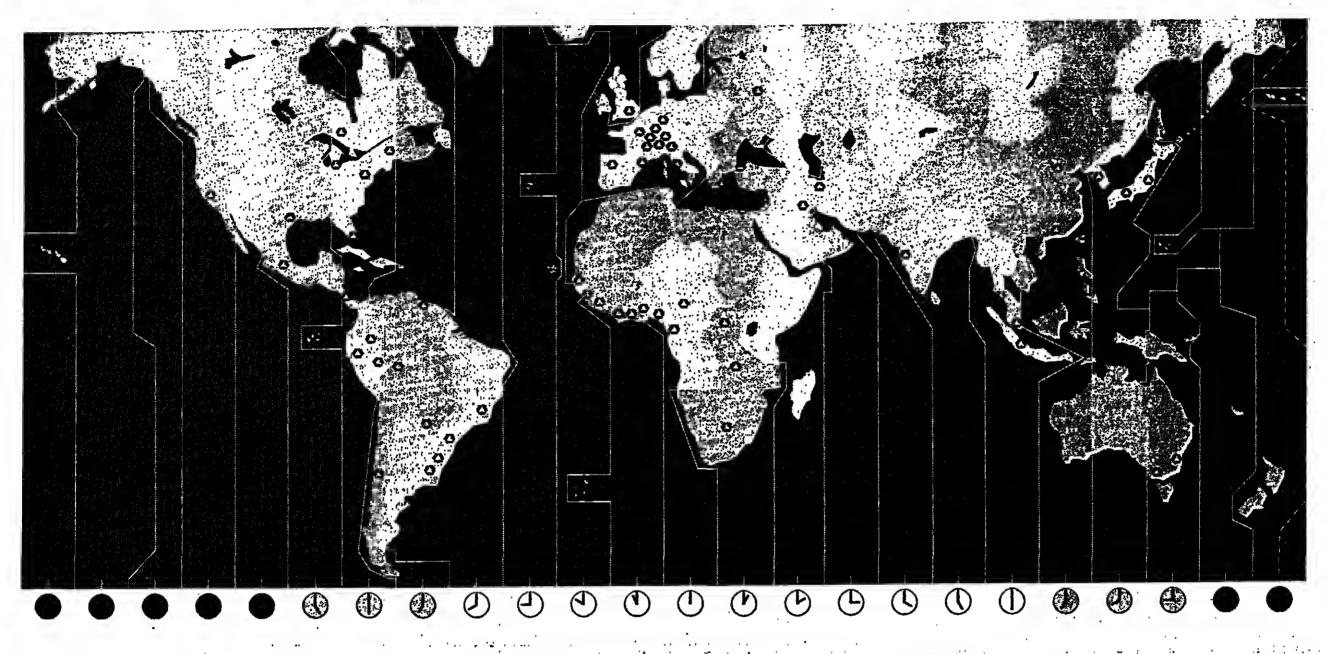
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### Dramatic female talent

Produce lines so wholly individual that you could immediately identify one when quoted out of context. It was true of Max Miller and parhaps still applies to Ken Dodd and Spike Milligan. I would argue that these lines from a comic song: This folly/Is jolly/Bend me over backwards/On me Hostess trolly could only be the work of one person, and the chue is that they were heard during An Audience With Victoria Wood on ITV. It was a pro-gramme which made you wish the new mother would hurry up and weap her baby and one up and wean her baby and get hack on our acceens regularly. Her programme was the most recent in London Week-end's occasional series which puts people such as Billy Con-nolly, Edna Everage or Peter Ustinov in front of an andience Ustinov in front of an andience of "celebrities" and then encourages them to "interact." With Victoria Wood the prompts were of the most bla-tantly planted sort, but that scarcely matters. What does matter is the use made of all those "celebrity" faces as an editing device. editing device. Very often the producer will

cut from a line by the per-former to a big close up of Julie Walters or Michael Par-kinson or somebody falling out of their chair in mirth. To any viewer who found the line viewer who found the line weak two thoughts occur. First "Dear oh dear, what a lot of sycophants" and secondly "He/ she can't really have langhed that much at that line - they must be cheating with the edit-ing." The celebrity-andience technique can be a two-edged wearon weapon.

There is one central and almost insuperable difficulty in attempting to pass judgement

Mark Morris

THEATRE DE LA MONNAIE, BRUSSELS

on the BBC's version of The Rainbow: Imogen Stubbs who plays the central rôle of Ursula is so attractive (by now every male member of the population over 13, and - if recent claims are to be believed - one in 10 of the female population too, is presumably in love with her) that it becomes almost impossi-ble to attend to the substance of the drama.

The fashionable thing to say about the adaptation is that it brings out the truly adolescent nature of D.H. Lawrence; a indgement which is clearly intended to be pejorative. How-ever, since adolescents tend to be much concerned with emotion of all sorts, but especially love and passion, and with compassion and the main strands of political thought, and preoccupied with the pos-sibility of the individual having an effect upon the world, an adolescent approach would seem remarkably well suited to a novel or a television series. Sure enough The Rainbow is

proving to be the sort of high-class costume drama which the BBC has always done outstandingly well. The locations, from Victorian farmyard complete with Victorian cowshed (and even Victorian aqueduct with passing horse and narrow bost in the back-ground) to the dark satanic mill (was it Kew Steam museum?) have been magnificent, and some of the scenes -Anton and Ursula kissing beneath the moon, behind the haystack, with the folksong proceeding in the background

- have been extraordinarily powerful Incidentally Miss Stubbs has already proved most convinc-ingly that she can act. The rate

at which the English drama business turns out talented and well trained and beautiful. twood

young actresses is almost pain-ful: there cannot be enough work to go round. We have only just said goodbye

to another: Elizabeth Hurley who was so impressive in the title rôle of BBC2's four-part serial *Christabel*. This true story of an English woman. married to a German who was involved in the plot to assassinate Hitler, was spoiled by its pace. It would be absurd to expect all television drama to zap along at the speed of *Hill* Street Blues but the longueurs

in this production were dizarre. It was, of course, the story of one woman's experience, and she could scarcely be in touch with the entire war. There were moments (the awhil travelling in wartime Germany, the meeting with the American air-man in the forest chalet) when

the sense of personal witness came across very strongly. But there were simply not enough events in this production to fill out four 60-minute episodes. Furthermore we are now pretty familiar with the work of Dennis Potter (who adapted

Christabel Bielenberg's own book) and we know that if this had been entirely his own drama it would have been less literal and strictly chronologi-cal in its narrative. Though it would not have been so "fac-tual" Potter's own version of a story of this sort might well have told us greater truths. He is, undeniably, a fine techni-cian and could not turn out a trnly bad script but he is surely more valuable to us spending his time with his own

muse rather than someons else's. "Yes, welcome back to Bren-

"Yes, a very important years ago the reaction bere

black-ball win there for Jim." "Yes, Terry stealing that one, and a massive sigh of relief but still so much to do." "Yes, Terry happy and grin-

ARTS

ring." "Yes, that early sprint by Steve Davies." Yes, the young Scot brim-

ming with confidence." "Yes, the Liverpudlian there back in front again." Yes, these are just a few of the sentances used by Dickie Davies to introduce various ions of ITV's Snooker last week. Yes, over the years we have come to expect ITV's standard of sports coverage to be lower than the BBC's, so it was no surprise on Tuesday, for instance, when every viewer could see the cue ball rolling straight for the top corner pocket to find dear old ITV cutting away from the table just in time to miss the ball dropping. Yes, something should be done about that sort of ineptitude, but acquiring the smoothness and polish of the BBC'e coverage will not be easy: it takes time, money, practice and skill. Moch easier would be a

change in Davies' vocabulary. Surly somebody in ITV could take him aside and explain that you don't have to sound like a verbal version of The satire Sun just because you are talking about sport. Would that be a good idea? Yes! miners, Michael Heseltine, hos-

With a remarkable lack of fuss or protest, Spitting Image has slowly grown stronger and pital beds, the Belgrano and so on, was e social document which, assuming videotape is as stable as the manufacturers hope, may one day tall a future sharper so that now, at its best, it is a wickedly incisive tool capable of dissecting and sectioning all sorts of lumps on generation as much about attitudes in 1988 as the drawings of Gillray, Hogarth and Row-landson tell us about the 18th the body politic, from the royal family to the Kennedy assassination programme industry. century today.

When the series began four



Kate Buffery and Imogen Stubbs in "The Rainbow"

taken by British broadcastern into the realms of tabloid tele was that the scripts were not as good as Fluck and Law's vision should have a look at ITV'e Thursday night series, Contacts. So far it is available extraordinary poppet carica-tures. But while the puppets have simply maintained their standards, the scripts have only to Londoners, and even steadily improved eo that they have to wait until 12.45, but its content is marvellous to today, when the words are really good - which is quite often - the programme becomes a powerful piece of behold. It is a cross between a lonely hearts column and Exchange And Mart. Thus a superbly well-muscled young woman who rides a large motorbike and is looking for a partner in life is followed a lit-tle later by a man who collects cigarette lighters and is bunt-This week's rendering of "My Way" by the bulging eyed, cigar-chomping Maggie Thatcher (best man in the Cab-inet) with the background images of Leon Brittan, the ing for a particular brand with

a huilt-in watch. It is difficult to imagine any thing cheaper to make (if it was in print the producers would actually be charging the participants) yet there is a ghastly fascination involved: it is impossible to switch off before the end in case somebody even more weird turns

Anybody charting the path Christopher Dunkley

### Carter's 80th birthday

17

the late Beethoven quartets.

A work commissioned by the

Ensemble InterContemporain

from a senior Italian composer, Franco Donatoni, came next.

Cadeau, for a pair of each of

oboes, bassoons and horns,

with tuba, harp and tuned per-

cussion, is a swaggering, salty,

knockabout sort of piece, mak-ing witty play with reedy scalic

figures from the woodwind,

rumbles from the tuba, what sounded like Mozart pastiche

Apart from Boulez's short,

birthday greeting to, not Carter but Sir William Glock,

Dérice, the rest of the pro-gramme was pure Carter, two recent works, compelling in

the extreme. Penthode (1984-5)

is scored for five variegated

autiful but rather enigmatic

from the harp.

and formation.

#### QUEEN ELIZABETH HALL

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Elliott Carter, like Messiaen, is 80. His birthday and achievement are being celebrated in two concerts on the South Bank and one at the Wigmore Hall. The tributes are not as many or lavish as those to Messiaen, but Monday night's concert could hardly have been more substantial in content or more loftily serious in tone.

Shared by the Ensemble InterContemporain, under Pierre Boulez, and the Arditti String Quartet, it began with the six movements, or "pages," of Boulez's early *Livre pour quatuor*: music of considerable historical but almost no musical interest. The notes are bounced from one instrument to another like a dozen ping-pong balls, for a considerable time. There is extreme intellectual refinement in the score, and there was matching refinement in the playing; but the work is singularly unlove-some, and made a wearying start to what was going to be a

is scored for five variegated instrumental groups, but unusually for this composer, the impression produced is not so much of dynamic interac-tion between them, as of a series of often blatantly lyrical long, demanding concert. It was a triple-decker proinstrumental soloe (first the viola, then the bass clarinet) gramme, with two intervals. Before the first we heard emerging from and disappear-ing back into the frisky back-Carter's String quartet No 4 (1985-6), which the Arditti playground generated by the whole ensemble. It is a piece not far from modern jazz in concept ers have performed several times already in London. After the aridities of the Boulez The Oboe Concerto (1987) commissioned from Carter by Paul Sacher for Heinz Holliger to play received a UK premiere of staggering virtuosity. Holli-ger's playing combines amaz-ing accuracy with amazing elo-quence, and Carter has provided him with an ideal showpiece. Another single quartet, this - thongh scarcely ingratiating music came as succulence and balm. It is a one-movement structure, both meaty and subtle, which defily succeeds in encompass-ing the emotional range of the conventional four-movements. To assist the listener in following such a compressed argument there are recurrent passhowpiece. Another single movement (20 minutes), it is sages, like aural windows, in which the work's underlying harmony seems to be crystalthough deliberately virtuosic, continuously absorbing. It must be repeated as soon as possible. lized; these moments also have a touchingly self-conscious quality suggestive, like other characteristics of the work of

**Paul Driver** 

teeming with musical life, and

### **Roister Doister**

#### **CROYDON WAREHOUSE**

Ralph Roister Doister, to give the sturdy Tudor farce its full title, is more honoured in the breach than the observance. It survives as a text-book example of robust popular comedy.

Croydon Warehouse is pres-enting this slice of pre-Elizabethan bourgeois cum-low-life as its Christmas attraction. Although the author, Nicbolas Udall, was headmasterof Eton (the programme note tactfully omits the information that he was sacked for sodomy) and may have presented the piece to cheer that teenage prig Edward VI, this production is

not for children. The adapter Vince Foxall has come up with a script packed with puns, in-jokes, allusions, anachronisms, groaning old music-hall

beterosexual, is the subject of several pleasantries and indeed one on-stage simulation. Matthew Merrygreek is made into a sexual chameleon, ravished by our hero Gawyn Goodknight and turning his hand, or whatever, to relieving the pompous Raister Doister, the tart Tibet Talkapace and the maid Madge Mumblecrust with equal enthusiasm.

Mr Foxall may have intended him as a satyr-like embodiment of free-wheeling, laid-back pleasure, a frolic fig-nre treading the antic hay (the horse is called Cardinal Pirelli, which gives some clue); but Simon Pearsall's pleasantly scruffy, balding persona trots through the part too literally and the result is distasteful.

For more that a quarter of a odes as a dialogue, with Jencentury, Maurice Béjart and nens' own feeble verses for I his Ballet of the Twentieth Century were the pride of Moderato reconciling the poet's joyous and contemplative Brussels. Two years ago, after disagreement with the admin-istration of the Théâtre Royal de la Monnale, Béjart and his views. Morris explores both Handel and Milton in an evening-long span of finent, beauti-ful dancing that gives us a dancers took off for Lausanne, third layer of meaning to the music and poetry. Sometimes his manner seens simple, as when the phrase "smoothing the rugged brow of night" leaving what mnst bave seemed a gaping artistic void for the Belgian public. It is vastly to the credit of Gérard Mortier, director of the Monnaie, that he should have gains immediate gestural real-isation in a duet between a invited Mark Morris and his man and woman. Sometimes, troupe to replace Béjart as the as in "Haste thee, nymph, and opera house's resident combring with thee/Jest and youthful Jollity," the dance bubbles pany, for there could be no with bumour: three men sport greater contrast with the mesand fall about, and the corps de ballet follows suit at the sages and philosophising that are Béjart's stock in trade than



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the musical sensibilities and choreographic inventiveness of the young American creator. Morris, New York's darling, was admired in London during the Dance Umbrella seasons of 1964 and 1965. It was significant that one of his works shown then was Songs that tell a Story. The title was indica-tive of creative procedures, as the words of songs - ranging from Vivaldi arias to pop -fired dancing both ingenious and elegant. In his setting of Handel's ode L'Allegro, Il Pen-seroso ed Il Moderato, which has just started his first Brus-sels season, the images of Milton's verses, their resonances and musical repercussions, are central to the choreography.

An excellent programme note by Roger Downey dis-cusses the score's origins in the idea of Charles Jennens, Handel's collaborator, to interweave Milton's two pastoral

choral reprise of the words. Sometimes, and here Morris touches greatness, the dance opens up enormous vistas on to the European pastoral tradition: the aria "Mirth, admit me of thy crew/To listen how the hound and horn ... " occasions a hunting scene so potent in realisation as the dancers impersonate the hunt and its setting, that eye and mind crowd with allusions. We are aware of images owed to Renaissance festivities, to many centuries of such scenes in painting and literature. The choreography is every-

where responsive to Milton's mind as to Handel's forms, moving from ring dances to friezes of action, playing with ideas in happiest and most adventurous fashion, showing us the moon sailing through the night sky, or birds in flight, or the slapstick of "the well-trod stage." Morris has,

of communications.

Financial Times Media

#### Scene from L'Allegro, Il Penseroso ed Il Moderato

legro and certain other works indeed, created a form of dance-drama wherein the play of language and music is mirbegs comparison with those "music realisations" which are part of his ancestry in the early days of American Modern rored for us in another and no ess ant medium.

With dance as pictorially, Dance. Then, with the Denisdynamically rich as this, stage decoration has to be minimal. hawn troupe, or even with Isa-dora, the dance spoke innocently about the music. Morris's response to his scores can seem both the most inno-Adrianne Lobel provides a succession of gauzes, admirably lit by James Ingalis, to create a world for Morris's choreogra-phy, and Christine van Loon cent and the most sophisticated. His second Monnale pro-gramme last week brought dresses the dozen couples of the cast with comparable econpieces already created in New omy and elegance. The evening is unalloyed delight, and a tri-umphant vindication of Mor-York. Prisson was set to Stra-vinsky's wind symphonies, the cast moving and posing with rigid arms and extended legs like frozen blocks of activity. ris's right to be in Brussels What Morris is doing in L'Al-

**ARTS GUIDE** 

A Walk in the Woods (Comedy).

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London A Walk in the Woods (Comedy). Also Guinness and Edward Herrmann in facils off-duty arms negotiation encounter hy Lee Blessing, Guinness, back on the London stage after 10 years, is in subtle virtuces form as the Soviet veteran of tactical stone-walling and no-dealing tricks (930 2578, cc 839 1438). Measure For Measure (Barbican). Pick of the RSC London reper-toire, a gripping revival by Nicholas Hytner, strongly acted, with witty design refarences to Lloyds of London and the Pompf-dou Centre in Paris (838 8891). The Secret Enyture (Lyttelton). Brilliant new David Hare piece for the National Theatre, a satiri-cal but moving romance on life, love and family politics in Thatcher's Britain. The play of the year (238 252, cc 240 7200). Easy Virtue (Gerrick). Transfer of King's Head revival of early Noel Coward, same period but lesser vintage than Bay Fever – still worth seeing (379 6107). South Paulie (Prince of Wales). Average, traditional revival of the areat Rodeurs and Hammer-

Average, traditional revival of the great Rodgers and Hammer-stein musical, with Gemma Craven failing to wash the baritonal Emile Belcourt out of her hair (839 5989). Follies (Shaftesbury). Eartha Kitt and Millicent Martin now

decorate Miles Ockrent's strong revival of Sondheim's 1971 musi cal, in which poisoned marriages nearly undermine an old bur-lesque reunion. (379 5389). The Admirable Crickion (Haymarket). Rer Harrison and Edward Fox in enjoyable revival of Barrie's imperishable comedy

of class barriers and reversals on a desert island. (830 9682). Dry Rot (Lyric). Brian Rix returns to the stage after an absence of 12 years in a 1850s farce that prefigures the capture of old England by the spives and opportunists. (437 3695). The Shanghraum (Olivier). Rec-ommended Christmas treat, as Boucicanit's melodrama is given the full scenic works but is also revealed as a key Irish dramatic millestone. Fine National Theatre cast led by Stephen Res. (528 cast led by Stephen Res. (328 2252). Dec 17-23, Jan 5-10, 19-21. The Smerze (Aldwych). Eight short Chekhov pieces - four vaudevilles, four early studies - translated and adapted by Mahad Therm and participat Michael Frayn and performed in various styles by Bowan Atkinson, Thnothy West and Cheryl Campbell. Stightly rewarding, intermittantly founy rewarning, internationally fully (898 6404, cc 379 5333). Sugar Bahies (Savoy). Mickey Rooney and Ann Miller repeat Broadway roles and exhibit sta-ming and star quality in a mixed bag of coarse hurlesque sketches (836 8888).

#### Amsterdam

The Footsbarn Theatre with Babylon (Thur). Stadsschouwburg (24 23 11).

self-out, Trevor Num's produc-tion of T.S. Ellot's children's poetry set to music is visually startling and choreographically

The Poulenc clarinet sonata

occasioned a response difficult

to grasp as a male soloist and

five couples signalled unguess-able feelings at us.

Morris's own solo appear-

ance in Ten Suggestions, using Cherephin's piano bagatelles,

was witty but more than a lit-

tle ambiguous. A generous fig-ure in pink satin pyjamas, he

flicked dance aphorisms at us, yearned with a hoop, and could not stop me thinking of Isadora

in her later years. The most considerable piece of the evening, the Vivaldi Glo-

ria, was as unexpected in its response to the text as Ken-neth MacMillan's use of the

startling and choreographically feline (239 6262). A Chorns Line (Shubert). The longest-running musical in the US has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its back-stage story in which the songs are used as auditions rather than emotions (229 6300). A Christmas Carol (Gootman). William J. Norris celebrates his tenth season as Ebeneser Scrooge in the annual holiday production with a cast of 28,

Les Misérables (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama crass conti-Tokyo

(239 6200). Starlight Express (Gershwin). Those who saw the original at the Victoria in London will barely recognize its US incarnetion: the skaters do not have to so round the whole thestre but do get good exercise on the spruced-up stage with American scenery to distract from the tramped-up plot (586 6516).

impersonator). At the National Theetre, 71-year-old living national treasure, Nakamura Utaemon VI, plays one of his most famous roles, perhaps for the last time, in Metbolm Sendai Hagi (The Disputed Succession). Performances at noon and (Wed, Fri) at 5pm (265 7411). Mean-while, the 4.300m programme He and My Girl (Marquis). Even ine and my carl (marquis) sven if the plot turns on ironic mim-icry of Pygmalion, this is no clas-sic, with forgettable songs and dated leademess in a stage full of characteric for a full while, the 4.30pm programme at Kabuki-za (541 3131) features Osome Hisamatsu. Banraku (National Theatre). of characters. (947 0033). M. Butterfly (Eugene O'Neill). The surprise Tony winner for The puppet thestre is one of Japan's most refined art forms. Each doll has three operators who remain in sight while a nar-1988 is a somewhat pretentious and obvious meditation on the rator unfolds the story to a musical accompaniment. Evening performance at 5pm (plus 12 noon at weekends): Chushingura the famous story of the 47 loyal true story of the French diplomat whose long-time mistress was a male Chinese spy (246 0230). Speed-the-Plow (Royale). David Mamet applies his biting sercesm retainers. Matinee performance at 11am and 2pm (weekdays and ear to the exaggerations of only): Tsubosaka, a moving tale of e blind musician and his American language to Hollywood, in this screamingly furny and well-plotted expose of the devoted wife, (265 7411).

Poulenc setting. Morris offers a vision of suffering mankind in quest of forgiveness and mercy for the indignities of the buman condition. Grey costurned figures drag themselves over the stage, rear up, and seem unmoved by others' anguish. It is far from conventional in its piety, and in its starkness comments upon the need for the prayer itself. Like everything in these two eve-nings It was danced with tre-mendous physical clarity. Brussels has reason to be proud of the new tenants at the Monnaie.

**Clement** Crisp

December 9-15

film industry (239 6200). Pisantom of the Opera (Majestic) Stuffed with Maria Bjornson's

Similar with maria sponson a gilded sets, Phentom rocks with Andrew Lloyd Webber's hauni-ing melodies in this mega-trans-fer from London (239 6200).

directed by Michael Maggio. Ends Dec 28 (829 4141)

Kabuki this month celebrates

the art of the Onnagata (female impersonator). At the National

Chicago

exchanges and quotes from Hamlet via Casablanca to Minder and Guys and Dolls. All in the good pantomime tradi-tion, though hardly scrupn-lously scholastic. He adds such sub-plots as a running a Dandy Dick-like racehorse under an assumed name; still acceptable for a Christmas frolic.

But his exhaosting and effortful attempt to squeeze a joke from every possible and impossible exchange finally turns nightmarish. It is not that much of his facetiousn is more contrived than witty, more laboured than amusing, but that every remotely sexual reference is seized on and inflated, nearly every quip has a smutiy lining, and that no innuendo, and no character, is left unmade. Mr Foxall should have heeded one of his own lines: "Words that play with themselves oft go blind."

Benny Hill-type arch with eth endings affixed to verbs regardless of person or tense are funny until the hun-dredth time. A spirited cast works like mad. Derek Crewe's absurdly love-

sick Roister Doister would be worth seeing in a real panto, faintly resembling a blend of Humpty Dumpty, Ronnie Cor-bett and the playing-card gar-deners in *Alice*. Joanna Brookes' Tibet and Di Lang-ford's Mumblecrust deserve all sympathy for energy and cheerfulness beyond the call of duty. Jason Smith displays a nice line in self-mocking matinée idol looks. The singing is excellent. Ted Craig directs on Michael Pavelka's cartoon-like black-and-white stylised Tudor set. But, in one of this rather dreadful entertainment's more memorable lines, "so wha-

Martin Hoyle Oral sex, homosexual and

#### SALEROOM Record for Tang horse

Tang horses are not the easiest only 8.5 per cent unsold. In the Chinese work of art to sell. They usually come from 8th century graves and the Chi-nese are reluctant to buy the after-life companions of their ancestors. So Sotheby's was pleased yesterday when it sold an unglazed pottery figure of a stallion for £484,000 (a record for an unglazed Tang horse) while the accompanying mare realised £231,000 to the New York dealer E & J Frankel. They fetched high prices because they were the largest such horses, around three feet high, to appear on the market. The sale totalled £1,183,3897

afternoon the other key lot, a unique Yuan storage jar, with carved white dragons on under-glazed blue, was unsold at £220,000, but an early Ming blue and white dish, 33.3 cm in diameter, did well at £132,000. At Phillips sale of British paintings "The expulsion of Adam and Eve from Paradise" by Registring Worst cold for by Benjamin West sold for £264,000 to Agnews, comfortably above estimate. West, an American who became President of the Royal Academy, painted it in 1791 for King George III for £525.

award will be announced in

October with one of the groups collecting a further £75,000.

The money must be spent on a new artistic venture. The Pro-dential is committed to the

Antony Thorncroft in the morning session with

Prudential offers largest UK arts award

The UK's largest arts award, with a possible £100,000 for the winning arts organisation, was announced yesterday. The Pru-dential Awards for the Arts, sponsored by the insurance company, embrace all art forms. Initially panels of judges will select winners in each of five categories dance, music, opera, theatre and the visual arts, who have shown creative, innovative work between November 1 1988 and October 1989.

Each of these will receive £25,000 in July; then a grand

Awards for three years. Around 4,000 arts groups will be encouraged to submit an application before January 31st, 1989, to Prudential Awards for the Arts, Kallaway Ltd, 2, Portland Road, London W11 4LA

A.T.

Runnours (Broadhurst), Neil Simon's latest comedy is a self-conscious farce, with numerous slamming doors and lots of mugging but hollow humour that misses as often as it hits. Chris-

tine Baranski leads an ebullient cast in the inevitable but disappointing hit. Cats (Winter Garden). Still e

New York

### FINANCIAL TIMES

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Wednesday December 14 1988

### **Israel's turn** to respond

tiate on the accepted international basis of Security Council Resolutions 242 and 338." That was how Mr George Shultz defined the criteria for participation in the Middle East peace process in a speech last Sep-tember. The Palestine National Council believed it had met them with the statement adopted at its meeting in Algiers a month ago, but the US was not satisfied, finding the language still too ambigu-

Mr Yassir Arafat, leader of the Palestine Liberation Organ-isation, was called on in his speech to the UN General Assembly yesterday to dot the "i". Rather ironically, since it was an American test he had to pass, he was not admitted to the US for the purpose. Instead the General Assembly went to

Geneva to hear him. Not surprisingly, it heard a great deal of rhetoric, much of it less than conciliatory. Mr Arafat could hardly be expected to make such a speech without rehearsing his people's grievance at some length. Inevitably, he presented the Pales-tinians as victims and peace-lovers, the Israelis as aggressive and intransigent. Regret-tably, he failed to acknowledge the historic, religious and emotional ties between the Jewish people and the Land of Israel, or the terrible wrongs (admittedly not the Palestinians' responsibility) which drove Jews to return to their ancient homeland and set up a state there. He glossed over the past opportunities for compromise which his organisation had failed to explore.

#### Three-point initiative

When he came to the point, Mr Arafat put forward a three-point "peace initiative" which can hardly be called realistic. Point two calls for "our occupied Palestinian land" to be placed "under temporary United Nations supervision", and for an international force "to supervise the withdrawal of the Israeli forces from our country," apparently before the PLO will seek a comprehensive settlement in the framework of the proposed international conference, since that is point three. However, no one expects Mr Arafat's procedural proposals, make an equivalent gesture to the Palestinians.

"ALL PARTICIPANTS must renounce violence and terror-ism. Each must agree to nego ones, to be accepted by all par-ties as they stand. What is needed at this stage is for the PLO, which the Palestinians themselves insist on as their legitimate representative, to be accepted by Israel as an interlocutor and vice versa.

#### Sadat's speech

As far as the vice versa goes it is hard to see how Mr Arafat could be more explicit. He named Israel as one of the "parties concerned in the Arab-Israeli conflict," among whom a comprehensive settle-ment should be sought. He spelt out that this settlement must "respect the right to exist

in peace and security for all." asked "the leaders of Israel He to come here ... so that together we can forge peace." And in language reminiscent of the late President Sadat's

historic speech to the Knesset, he addressed himself "specifically to the Israeli people in all their parties," saying: "Come, let ns make peace . . . Leave behind the spectre of the wars that have raged continuously in the furnace of this conflict for the past 40 years. Set aside all threats of wars to

He also reaffirmed that "I condemn terrorism in all its forms," while making it clear that he could not, as leader of a people fighting to defend its territory and its independence, be expected to renounce violence unilaterally. Adroitly he paid tribute to "those sitting before me in this hall who, in the days when they fought to free their countries from the yoke of colonialism, were accused of terrorism by their oppressors, and who today are the faithful leaders of their

peoples," well knowing that this would have applied par excellence to the Prime Minister of Israel had he been present

It is hard to see how the US can ask Mr Arafat to go further, eithsr in accepting Israel's rights or in renouncing violence, without asking Israel to reciprocate. The most repre

sentative Palestinian leader

has now said clearly that he is

willing to co-exist, not only

with the Jewish people but with the Jewish state. The onus must now be on Israel to

Spanish politics has turned nasty. Since Prime Minister Felipe Gonzalez won a bitter referendum almost two years ago to persuale the country to remain in Nato, Spain has been quiet and prosperous and the Spanish people apparently content. Yet he faces a messible stolent one day sources possibly violent one-day general strike today, increasingly confident attacks on the style of his administration and, possibly, an undignified beginning to Spain's first European Community presidency in January. It is a remarkable position for a Socialist Party leader with his scorecard to be in. Its once querulous milicard to be in. its once quartilous min-tary tamed, Spain's economy is grow-ing faster — more than 5 per cent in 1987 and 1988 — than any other in the EC. Inflation is a respectable 5 per cent, exports are booming and indus-try is creating about 1,000 new jobs a day despite continuing high unem-ployment. The country is modernicing

ployment. The country is modernising its physical and intellectual resources faster than it ever has before. The nastiness is difficult to explain.

Mr Jorge Hay, chief economist at Banco Hispano Americano, one of the country's big commercial banks, finds the strike hard to believe. "It's mad," he says. "The unions are mad, the opposition is mad and the employers are mad. I sometimes think the only are mad. I sometimes think the only same people are in the government." Anyone in Spain at the beginning of 1986 would recognise the mood. The political left and right were attacking Mr Gonzalez's bid to keep Spain in Nato and the polls were running accelet him the mont to the country

against him. He went to the country with a blunt message - "me, or chaos" - and it worked. Now, the unions have called the strike to protest Government employment policies. The conservative opposition, the Alianza Popular (AP), and the maverick populist Centro Demo-cratico y Social (CDS) have sthred the pot by expressing "understanding" for the strikers. The employers have offered only late, half-hearted support, though they gain from the policies. If Mr Gonzalez has to do the same

thing again - and he may call an early election - the political choices for Spaniards are, luckily for him, still uncomfortabls. Skeletons from the days of Francisco Franco's dictator-ship still rattle in the AP and CDS. One symbolic example: Franco once had the heads of striking miners'

wives shaved. Both parties do little more than snipe petulantly at the Government and cheer left-wing attacks from the sidelines. Spaniards are told constantly that their relatively clean and safe cities are flithy and dangerous, Spain works, but the price has been a dramatic departure from the secure

#### Spain works, but the price has been a dramatic departure from the secure paternalism of the dictatorship

paternalism of the dictatorship. Although the conservative opposition has suffered under Mr Gonzalez since hs hecame Prime Minister in 1982,

■ When the panic was at its height among the trade minis-ters in Montreal last week and they realised that their four-year exercise in trade liberalis-

ation was in danger of collapse.

they turned to Arthur Dunkel to get them out of their mess. This was vindication indeed for the unassuming but shrewd and tough Swiss who has been director general of the General Armemetr or Testific and

Agreement on Tariffs and Trade for the past eight years and about whose reappoint-

ment in 1986 there were mis-

The scheme that saved the day - temporarily - in Mon-

treal was worked out between four men: Willy de Clercq, the European Community's Trade

**Commissioner**, Franz Andries-

sen, the Agriculture Commis-sioner, who will succeed him

next year, Clayton Yeutter, the US Trade Representative,

It was Dunkel who suggester

that the ministers' mid-term review of the Uruguay Round

be "suspended" until April to

and Dunkel

givings in Washington.

Peter Bruce in Madrid reports on today's general strike against government policy, which could radically alter Spanish politics

### The threat from a once-friendly bull



Prime Minister Felipe Gonzalez: scandals have undermined public confidence in his government

party leadership in Paris in 1974 while the party was banned. But while Mr Redondo has remained the tongh, leather-jacketed union boss, his fire-brand protégé has become a social democrat at home in a fine suit, strid-ing the international diplomatic stage. ing the international diplomatic stage. Mr Gonzalez has been converted to liberal economics by his friend and former Finance Minister, Mr Miguel Boyer. The country's entry into the EC in 1996 has only reinforced the transformation. "It is employers who create jobs," an animated Mr Gonza-lez insisted last week.

Mr Redondo resigned his Socialist seat in Parliament last year, protest-ing that with unemployment stuck at nearly 20 per cent the Government was not doing enough to combat it. Spanish executives are now among the richest in Europe, while only 35 per cent of the country's 2.7m unemmuch of the parliamentary opposi-tion's present malaise is self-inflicted. ployed receive welfare. The final straw was the Govern-The real change has been felt on ment's decision in October, after months of threat and counter-threat, Spain's shop floors. Since 1985 the Government has ignore union opposition and press allowed employers to hire people on temporary contracts in an effort to ahead with a plan to provide up to 800,000 youths with first jobs in the create new jobs. Franco, in return for next three years by subsidising employers to hire them on short con-tracts and at minimum wages. In des-peration, Mr Redondo turned to the banning free trade unions, virtually guaranteed jobs for life. The change has been hard for the unions to swal-low. For the hig Socialist union, the UGT, founded 100 years ago by the Socialist Party, today's general strike is a final cry of rage at its fraternal other main Spanish union, the com-munist CCOO, and they agreed to call Spain's first general strike since 1934. party. It was the UGT leader, Mr Nicolas Redondo, who won Mr Gonzalez the The historic move was a coup for the CCOO. The two unions have been rivals for decades but in the absence

kel used all his influence to

trator in farm trade between

the world's two most powerful trading blocs. His linguistic ability has

een an important asset. A

childhood spent in Portugal,

lycée, left him bilingual in

where he attended the French

French and Portuguese. He later added fluent English, Ger-

man and Spanish. An econom-

ics degree from Lausanne Uni-

versity and a career as a Swiss

trade negotiator, punctuated with stints of university teach-

In private Dunkel is some-

thing of a gourmet, an assidu-

ous visitor to art exhibitions

and galleries, and a family man who enjoys shopping with his wife. His interest in paint-ing brushed off on his daugh-

ter and son, both of whom are

pursuing careers in the arts.

Margaret Mee

The death in a motor acci-dent last month of the Amazo-

ing, brought him to Gatt.

of credible parliamentary opposition to Mr Gonzalez, they have become Spain's only coherent dissenters. The success or otherwise of the strike But the brinkmanship may not always work. Mr Gonzalez, like most national leaders in Spain, has become remote and hardly ever travels. That could radically alter Spanish politics. If it goes hadly for Mr Gonzalez, his absolute parliamentary majority could be at stake at the next election, might not be so bad, but public confidence has been undermined by a tor-rent of scandals this year that have shown the Government to be arrogant 18 months away. and insensitive.

A weekend poll shows Mr Gonzalez still able to command such a majority; other surveys show that a majority of Spaniards support both the youth jobs plan and the strike. That contradictory result points to dissatis-faction with style more than with contani. They suggest that a little humil-ity would go a long way with voters. The strike itself is unpredictable. "Who knows what will happen," says

Gonzalez's closest friends, Ms Pilar Miro, head of the country's radio and party official." The unions plan to blockade Madrid today and have threatened further disruption. "If we television services, had used her corporate credit card to

#### FINANCIAL TIMES WEDNESDAY DECEMBER 14 1988

The socialists have appointed hundreds of their own, sometimes whole families, to positions of influence at

dreds of their own, sometimes at families, to positions of influence at and away from the centre. This has created the perfect climate for at least suspicions about corruption. The Government, though, is saved by its management of the economy. Union grumbling aside, Spain's pros-perity is unmistakable. Figures pub-lished last week show that since it joined the EC and introduced tempo-rary employment contracts, the num-ber of people in work has risen sharply. Foreign investors havs poured more than \$35bn into the country since 1986. Mr Gonzalez, aided by two highly respected finance ministers (Mr Boyer

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Mr Gonzalez, ander by two highly respected finance ministers (Mr Boyer followed by Mr Carlos Solchaga) has wrestled inflation down from 12 per cent in 1983 and rohbed the conservacent in 1900 and tonient of an economic tive opposition parties of an economic platform from which to attack him. Staid old institutions like the stock Staid old institutions like the stock markets are being jolted back into life by sweeping liberalisation decrees. The peseta, pegged to around 66 to the D-Mark, is growing in stature. The money supply is being held to just within its target despite the high level of foreign investment, though at some cost to efforts to cut interest rates. A big increase in imports to feed the economic boom was always going

the economic boom was always going to land the country with its first cur-rent account deficit for five years, but rent account dench for five years, but an unexpected 23 per cent surge in exports is going to deaden the pain. Even the much-maligned public bor-rowing requirement is falling in real terms, to around 3.5 per cent of GDP, as tax receipts are boosted by vasily increased corporate profits. "They have not acted as socialists.

"They have not acted as socialism. They have acted as regulators," says Mr Pedro Schwartz, an eminent pri-vete sector economist and former Lib-eral MP. "They have done it in a dic-tatorial way but as a person in the financial world I do not see any alter-meting to Conglege."

native to Gonzalez." A machiavellian school believes that Mr Gonzalez has deliberately chosen to pick a fight now. Certainly, if he is able to dilute the action today he should be able to complete the metamorphosis of his party from a strident, exilsd Marxist movement into a middle-of-the-road social democratic machine capable of holding the political centre without having to constantly dole out small change to the trade unions. Spanish unions are, anyway, much more dependent on government than are their EC counterparts.

Mr Gonzalez does not want to split the Spanish socialist family. However popular he might be with husiness, Spain's bankers and landowners are not his natural allies and never will

A full-scale war with the unions could spoil Mr Gonzalez's term as president of the EC next year.

Then it emerged that one of Mr he. Neither is the church. Though cowed for the moment, it is still wealthy and resentful. A full-scale war with the unions

### New challenge of the chip

ONLY five years ago, a foreign bid for lumos, the British semi-conductor maker, would proba-bly have provoked a political storm in Westminster. Today, Thorn EMI's plan to sell inmos to SGS-Thomson (ST), the Italian-French microelectronics group, simply looks like a belated recognition that the world microchip industry has become too ruthless to accommodate the small producer with a narrow market base.

Similar economic pressures are reshaping the semiconduc-tor industry right across Europe. ST was created by a merger of two "national champion" companies 15 months ago, while Siemens of West Germany and Philips of the Netherlands have united in advanced chip research. All three groups are now seeking government backing for Jessi, a \$3bn joint scheme to develop chip-making techniques for the late 1990s.

Europe needs to overcome futile national rivalries to stand a chance of creating internationally viable semiconductor suppliers. However, the potential benefits of a rational-ised, trans-national industry structure will be lost unless the reasons for past failures are clearly understood. The most important is misguided reliance by policymakers on more technology "push" to re-vitalise uncompetitive electronics industries.

#### **Japanese** domination

For the past four years, Sie-mens and Philips have collabo-rated intensively in a govern-ment-subsidised project to master the production of highdensity chips. Yet the supply of such components for cellular radio terminals, one of Europe's newest growth markets, is dominated by Japanese companies. Japanese compa-nies have also moved much faster than Europeans to use advanced microelectronics in video recorders.

The solution to Europe's problems lies in finding ways to stimulate companies to respond more rapidly to mar-

ket demand. In Japan, this is achieved by fierce competition on the domestic market, which keeps relentless pressure on companies to shorten their

ics companies do not lead to reduced competition. Jessi raises doubts on this score. As proposed, it could easily degenerate into collusion on prod-ucts and markets. It would be much better to make it an independent venture, with its own management, staff and

profit most.

Creating the right environ-ment is a complex task which requires sustained action on several fronts at once. The OECD finds the key criteria are high-quality education and training, systematic encourage-ment of the use of new technologies and skills hy a wids

range of industries and economic policies which favour competition and long-term capital investment. Those kinds of measures

require an unusual degree of patience from European politicians whose response to anxieties about technology lag has often been to write out large cheques to those electronics companies with the most active lobbyists. However, unless Europe acts to ensure that better commercial use is made of existing technology. its future investments in the sector are unlikely to be more productive than its past ones.

Man behind the Gatt

product cycles and cut costs. Europe mnst ensure that closer ties between its electronfacilities. That is the approach of Sematech, a US project set up to pursue broadly similar goals.

Beyond that, European pol-icy should aim to shift the emphasis away from develop-ing new technologies to improving mechanisms for diffusing them. As the Organisa-tion for Economic Co-operation and Development argued in a recent report, the economic benefits of technology no lon-ger flow automatically to innovators. Increasingly, it is the adapters and imitators who

#### Sustained action

allow time for the Bush team to be installed in Washington and a fresh attempt to break the deadlock between the US and the European Community over farm trade. Yeutter then proposed that Dunkel be given the job of shnitling between capitals to see if he could discover a new approach.

The solution is intriguing because the gossip in Montreal still had Yeutter as one of the favourites to obtain the agri-

culture portfolio in the Bush administration. Dunkel's qualifications as arbitrator have been honed in years as the calm technician at the centre of the increasingly frequent outbursts of turbulence among Gatt's 96 members. Most of the turmoil has been generated by the single-mindedness of the Reagan administration's drive to

expand the scope of free trade. In 1986, when his reappoint-ment was in the balance, DunUGT leader has said.

The unions believe they can bring out 4m people today. The Government has hinted it may simply walk away from the youth employment plan if the strike is widely supported. The unions would then be blamed for robbing 800,000 young people of the chance to work. Such behaviour is a Gonzalez trade-

mark. He resigned as party leader briefly in 1979 when the party refused to renounce Marxism and then put his job on the line again during the Nato referendum. He can react badly, say supporters, when he feels unappre-

Pta 2m (£9,600) worth of fine clothes and jewellery. Next, the Minister of Defence, Mr Narcis Serra, had his department buy a Pta im piano for his home in Madrid. Ms Miro has offered to go but is still in her job. Mr Guerra and Mr Serra, two of Mr Gonzalez's most able ministers, hardly bothered to account for themselves.

Last Easter, when Mr Gonzalez's deputy, Mr Alfonso Guerra, was

returning from a holiday in Portugal,

and in a hurry to see a bull fight in Seville, he got stuck in a huge traffic jam at the border. Irritated, he turned round, drove to a telephone and

ordered a Government jet to pick him

A young democracy without rules to govern the behaviour of its public servants is a tricky animal to deal with. If the strike foreshadows a final shedding by a modern social demo-cratic party of its old class values, it will probably do nothing to rid it of its apparent penchant for favouritism.

of the EC in the first half of next year. Madrid has attached great importance to the EC presidency and wants to use to prove - to itself if not its allies - that it is capable of running a great intsrnational machine efficiently. Spanish bureaucrats have been visiting EC capitals for more than two years to prepare themselves and a major distraction at home is the last thing the Government needs. But Mr Gonzalez and Mr Guerra are

a formidable political double act. They grew up around the UGT and know it intimately. In the efforts to stop Mr Redondo, they will leave no stone unturned.

conserve Mee's paintings and diaries, already the target of US university predators, for ARROWS RELIMITED Kew's archives. Any contribu-tions should go to Dr Simon Mayo, secretary of the Mar-garet Mee Amazon Trust, c/ o Herbarium, at the RBG, Kew.

#### Private art

Rocketing prices in the salerooms have sparked a new industry in the Netherlands - art theft. When the three van Goghs

which disappeared from the Kröller Müller Mnseum on Monday night, it was the sec-ond time this year that his work had been stolen and the latest in a wave of burglaries. The trio - Potato-eaters, Dried Sunflowers and Weaver with Loom - are valued anywhere from \$87m to \$150m and are not insured. The thieves had broken in through a window while the

museum's two guards were on duty. Police do not even know how many were

The auction of van Gogh's Sunflowers for £24.7m last year sparked the surge in prices. Amsterdam's Van Gogh Museum is now struggling to insure a major exhibition of the Dutch painter's works in 1990. The Government is not helping with the premiums. Indeed its only assistance so far has been an extra Fl 3m from the Culture Ministry to help beef up security in the museums. Other lesser known works have been stolen from museums around the country this year. Presumably they are going to a very private collection\_

#### French water

Two City refugees on a week-end break in Malvern called into a tea room and ordered a couple of glasses of Malvern water: a drink much recommended by the Prime Minister, no less. The waitress grinned sheepishly and said, alas, they only stocked Perrier.

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temper US impatience over starting a new trade-liberalis-ing round. He persuaded the Sun developing countries that they would benefit from joining in and keeping Gatt together. Gatt has known only three directors general in its 40-year existence, two of them Swiss. LIBEL NEWS Str Eric Wyndham-White, the EDITOR EDITOR flamboyant Briton who for 20 years tended to regard Gatt as his personal fieldom, was succeeded by Olivier Long,

**OBSERVER** 

a quiet, diplomatic Swiss. In personality and style Dun-kel, now 56, falls somewhere between the two. A clever trade technician like Long. he has also been ambitious to promote Gatt's importance as a world economic institution. He fully recognises both the opportunity and the risk to this ambition implicit in his present assignment as arbi-

nian botanical artist. Margaret Mee, has galvanised her friends and colleagues around the trust that bears her name. Today in Rio de Janeiro - the city she made her base camp for innumerable journeys into the wilderness - a delegation of British and Brazilian botanists will pay tribute. Mee, a vigorous 79-year-old whose 60 paintings of tropical

flora are currently on show at Kew together with her newly published diaries. In Search of the Flowers of the Amazon Forest, died at the very moment that her reputa-tion was taking off from cult figure to international celeb-

rity. The new trust, headed by the former British Ambasse to Brazil, Sir William Harding, and supported by such as Dr John Hemming of the Royal Geographical Society and the Brazilian landscapist, Burle Marx, aims to promote the study and conservation of

Amazonia. There is also an attempt to

involved.

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**British energy policy** 

Heading towards a

nuclear dead-end

**By Alan Cottrell** 

#### FINANCIAL TIMES WEDNESDAY DECEMBER 14 1988

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Hugo Dixon describes how decisions on fibre optics will affect the lives of millions

People would be able to see each other's faces and their changing expressions over picture tele-phones. They would have access to hun-dreds of television programmes on screens with images as aharp as those of big-screen cinema. Nobody would ever again need to go into a shop or a bank because they would be able to make their transactions from home, calling np high-quality picture cata-logues on TV screens. The days of the office could also be numbered, as people found they were

anumbered, as people found they were able to function effectively from home - avoiding the need for high-cost offices and long-distance commuting. They would have "face-to-face" meet-ings from afar and show each other the documents they more marking they have documents they were working on at the

All this - and much more - would be available if Britain built an advanced be available if Britain built an advanced telecommunications network out of fibre-optic cables. Only poor-quality pic-tures and limited amounts of data can be sent down the present copper tele-phone network, which was designed for simple telephone conversations. But optical fibres - threads of crystal clear glass as thin as a human hair - could transmit moving nictures and meet transmit moving pictures and vast amounts of information, unleashing a revolution in the country's way of life.

The Government, British Telecom, the cable TV companies and the elec-tronics industry are locked in dehate about whether Britain really needs such a network. Do people, for example, really want to look at each other over the telephone? If so, who should build the network? The key question which has split the participants into two opposed camps is whether BT should be

allowed to sand television pictures through its telephone lines. The electronics industry and BT itself are the main proponents of giving BT this freedom. They argue that BT could only instify upgrading its compare wires only justify upgrading its copper wires to optical fibres with investment of about £20bn if it could earn revenue from TV. Oftel, the telecommunications industry's regulator, and the cable TV industry are the main opponents. They contend that such a liberalisation would give BT too much power and leave the Government's competition policy in tatters.

The Government has yet to make up its mind. It has been studying the issue The long wait for a sharper picture

the middle of the next decade.

behind closed doors in a Department of The only way that this timetable Trade and Industry committee for tha past two years. The committee's report is due out today, but its main conclucould be significantly brought forward apart from backing the investment with taxpayers' money, which is incon-ceivable under the present Government
 would be to allow BT to send televicion has already been fed into the recently issued white paper on broad-casting, which said a decision should be sion pictures down its wires. Robin postponed for at least two more years. postponed for at least two more years. The debate is important for industrial policy because Britain is at the fore-front of developments in optoelectron-ics – the technology which merges electronics and light, and of which fibre optics is a branch. This is one of the few areas of high technology where UK companies have a world lead and are anxious to maintain it into the 1990s. Electronics companies argue that Bomer, BT's director for government relations, says that if the company could earn revenue from television, the

economics of patting in fibre optics would come right several years earlier. The Government has some sympathy with this argument. "The additional revenue from carrying entertainment services would make a substantial difference to the economics," says a senior official, who prefers not to be named. However, the Government has to bal-

ance this against competition issues. There are two fears about allowing BT to send television pictures down its ucts, allowing them to drive down unit costs and get ahead of the competition. But if Britain delays much longer, they fear that Japanese and US manu-facturers will steal a march on them after which it will be almost impossible wires. The first is that BT would end up by edding a monopoly in entertainment services to its near-monopoly in tele-communications services. This ied the Peacock Committee on broadcasting to recommend in 1986 that BT should be allowed to carry entertainment services on behalf of third parties, but not on its own behalf. The rationale was that this would ensure that BT treated all companies wanting to use its network

even handedly. BT, however, objected strongly to the proposal, arguing that it would not be able to justify investing in a new network unless it had some guarantee that it would be used. It would only be able to do this by being allowed to put its own traffic through the network if other companies failed to materialise. The second fear is that BT would

drive the cable TV companies out of

business. At present, the cable compa-nies have a monopoly over providing TV programmes via cable at a local level and are also allowed to offer tele-phone services. They were given this privileged position because the Govern-ment saw them as the cornerstone of its strategy for providing competition at the local level. The cable comparies say they might not be able to compare if BT - with its

not be eble to compete if BT - with its vast financial strength and existing cusvast imancial strength and existing cus-tomer base – was allowed into their market. "We aren't even gnat-sized compared to BT," says Roger Marshall, managing director of East London Tele-communications, one of the few cable companies to have started offering a telecommunications correlated offering a

telecommunications service. Professor Bryan Carsberg, director general of Oftel, acknowledges that, in the future, it will probably make eco-nomic sense to allow television and telecommunications signals to be sent over the same network: However, be argues that the time is not ripe, because it is still unclear what the best technology is. Fibre optics may prove to be the correct solution, but other technologies such as radio may be better. He wants such as radio may be better. He wants to see competition between different companies trying ont different approaches. He also points out that the regulations are flexible enough to allow BT to build a pilot fibre-optic network. Carsberg's hope is that the cable com-panies will grow stronger, so that they will eventually be able to challenge BT in telecommunications. In some parts of the country, cable companies may even

the country, cable companies may even be able to elbow BT out of the picture. At present, such hopes look fanciful. So far, only one in every 500 homes is connected to cable TV Given the competing pressures, the Government may be justified in delay-

ing a decision for another two years Even if it were allowed to put TV pic tures down its network, BT admits that it would be unlikely to do anything for the next three years. This gives the Government a breathing space, but it cannot sit on the fence forever.

In 1990 it is committed to e wide-ranging review of telecommunications pol-icy, which will centre on whether to throw open the telecommunications market to more competitors. It will then have to give clear signals to the cable and optoelectronics industries and to BT.

tude to nuclear power Its words and actions point in opposite directions. It says that we shall now need much more we shall now need much more nuclear power, because of the "greenhouse" problem. This further strengthens a case, already established 40 years ago, that nuclear power is essential if we are to avoid an energy famine in the 21st cen-tury. The exhaustion of oil and natural gas supplies in the next half-century, the need to reserve fuel for Third World countries and the inability of renewable energy methods and renewable energy methods and conservation measures to span more than a minor part of the coming energy gap, have long made plain that we would be depending mainly on coal and nuclear energy to solve this problem. But coal burning has also now, in turn, come seri-ously into question, initially because of the acid rain problem bnt recently even more importantly because of the potentially cataclysmic effects of world temperature changes which will be brought about by the greenhouse action of car-bon dioxide emissions. Nuclear power thus remains as the only major and expansible form of energy production for the next century. Mrs Thatcher and Mr Ridley have been right to

he Government's atti-

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At first sight the Government seems to be acting in accordance with this, since it has endorsed the present pro-gramme of Pressurised Water Reactor (PWR) constructions. However, the Department of Energy'e recent actions will actually reduce Britain's civil nuclear capability in the next century. First, because it has structured the privatisation of the electricity supply industry in a way that will cripple its research and development facilities, which are at present one of the country's great assets. This will especially weaken our nuclear electricity generating operations. The smooth, efficient, safe and reliable running of a nuclear power station depends in the long term just as much on sci-entists and research engineers as does coal mining on miners or oil production on drillers.

ise this

Second, the Department of Energy decided last July to cut the Fast Breeder Reactor (FBR) development programme by 80 per cent, next year, and has now announced that there will be a similarly draconian cut in its funding of fusion energy research, retaining only the minimum necessary to honour inescapable international obligations until such time as their agreements run ont. These actions mean that Britain will be incompetent in those very forms of nuclear power that will, alone, be serving mankind at the end of the next century.

The point is such an old familiar one that it seems now to have been forgotten. All "thermal" reactors such as PWRs (and Advanced Gascooled Reactors) use uranium so inefficiently that only the richest ore deposits are able to

The end of thermal nuclear power is one to two reactor lifetimes away

fuel them economically. World-wide, these deposits amount, when used in thermal reactors, to an energy resource only about half of that of the world e oil; and so will quickly be consumed when everyone furns etrongly to nuclear power, as expected by Mrs Thatcher and Mr Ridley. It is quite possible by 2030 and vir-tually certain by 2050 that any remaining PWR stations will then have to stand idle because of prohibitively expensive fuel costs. The end for tha era of thermal nuclear power is now only one to two reactor lifetimes away.

It has been well understood since the earliest days of nuclear energy that the ultimate methods for power generation are FBR and fusion, because these can provide vir-tually infinite energy sources capable of serving mankind in perpetuity. Thermal reactors are a mere stepping-stone on the road to this goal. An FBR can use uranium 60 times more effectively than a PWR. Its raw fuel bill is thus so insignificant that very low-grade ores can

snpply it economically and these are far more abundant, measured as energy sources for FBR, than the world's coal resources.' The future for fusion power stations is even more unlimited because the oceans could supply all their deuterium fuel for thousands of years. In view of this, how are we

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to understand the Department of Energy's actions? Their rationale appears to be that if a project is commercially attrac-tive, then industry will take it tive, then industry will take it up eutomatically; but if it is not, then the Government will have none of it. This Morton's Fork is designed by fools since it omits those strategic consid-erations which should be the proper concern of a govern-ment. It would have left us without radar in 1940, without without radar in 1940, without a Thames Barrier today and may leave our children eventually without electricity. Where is the wisdom in this or the vision of the future? Does not the Department of Energy think it odd that the Japanese who are no-one's fools when it comes to commercial oppor-tunism – are going flat out to produce commercial FBRs by 2030 and are also spending ten times as much as Britain (before these cuts) on research into fusion energy?

It can only be supposed that the Government has been seri-ously misled, by its advisers, into thinking that we are running along a main line towards an unlimited future of nuclear power, when actually the Department of Energy has shunted us into a siding, where in a few years' time we shall be

up against the buffers. Speaking to the Royal Soci-ety recently, Mrs Thatcher said admiringly that "the value of Faraday's work today must be higher than the capitalisation of all the shares on the Stock Exchange." But even Faraday was challenged by the short-sighted of his day to justify the utility of his work. His devas-tating reply "what use is a baby?" ought to be on the Cabinet's agenda.

Sir Alan Cottrell was Chief Scientific Adviser to the British Government 1971-74 and a member of the UK Atomic Energy Authority until 1987

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basis. Perhaps this also applies

owned by these boards.

expensive for the company to be able to justify inking every home to a national fibre-optic grid. It does not expect the costs to come down sufficiently until an an ann an Anna an An Anna an

Electronics companies argue that they will only be able to achieve this if

Britain starts putting fibre optic cables into people'e homes in the next few years. British manufacturers would then have a mass market for their prod-

to catch up. "Within five years, we will have blown it," says Nigel Horne, tech-nical director of STC, the UK informa-

tion technology company, which devel-oped fibre optics in the 1960s. At present, BT is installing fibre optic

cables only on long distance routes and

in special business locations such as the City of London. Although the price of fibre optics has fallen rapidly this decade, other necessary optoelectronic devices such as lasers are still too



#### Nuclear power costs

From Mr P.E. Watts. Sir, Your article (December 7) on the economics of new nnclear and coal-fired power stations reads more into the Central Electricity Generating Board's (CEGB) estimates of comparative costs than is in

the text. The board's estimates do not show that electricity from a nuclear power station would cost half as much again as that from a coal station on the assumption that it had to earn a real rate of return of 10 per cent. At 10 per cent, the CEGB's central view shows the cost of generation from a new nuclear station would be 3.80 pence per kilowatt hour (kWh). compared with 3.35p/kWh for a coal station - making nuclear at this rate of return about 13

per cent higher. If all the assumptions about capital cost, construction period, life and availability of period, me and availability of the stations were taken at the adverse end of the range of probabilities – as envisaged in your article – nuclear would be about 17 per cent higher.

It would appear that your conclusions were based on the CEGB's table of the net effective cost (NEC) of new power stations. This table is a means stations, This table is a means of ranking the alternatives. However, NECs deduct savings from costs, and so are no more a guide to total costs than, for example, the change in the balance of trade is an indicator of the volume of exports. The CEGB's figures set out

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10 per cent at the high end of Sir, Max Wilkinson's "How to play the Power Game" (December 3) was interesting and enlightening, but many of the range of rates of return. Industry's average real rate of return reached about 10 per cent last year - the first time it had achieved that level since the answers to the questions had no sound engineering 1969.

The CEGB's estimates indibasis. Fernaps this also applies to the privatisation proposal. Splitting the Central Elec-tricity Generating Board (CEGB) as proposed will not bring the power station con-struction staff any closer to the cate that at the 5 per cent rate set by Government for nation-alised industries, nuclear is snbstantially cheaper than coal. At an 8 per cent rate of return, which is perhaps more in berning with perhaps more in keeping with recent achieve-ments of the private sector, the generation cost of a nuclear station et 3.09p/kWh would be only 2 per cent higher than an create several power boards, inland coal station at 3.03p/ kWh. Such comparisons assign no

value to nuclear power's con-tribution to the diversity of pri-mary fuel sources, which con-tribution reduces tribution rednces over-dependence on fossil fuels. Nuclear stations also help to protect consumers against future uncertainties such as a sustained shock increase in world coal prices or an enforced movement away from fossil-fuelled generation because of concern about the "greenhouse effect." It is against this background that the CEGB considers the

construction of nuclear stations to be a sound investment for the nation. P.E. Watts, Economic Adviser, Central Electricity Generating Board, Sudbury House, 15 Neugate Street, ECI

'Power game' appraised

plugging in as and when they From Mr Norman Foulsham.

please cannot be done. The idea that individual consumers will be able to choose their source of generation is ludicrous. The basis of any distribution system is for the consumer to be supplied from the nearest sub-station taking sup-ply from the national grid. Energy transported by the grid system loses its source identity when supplied from more than

one power station. The large area board sellers. In any sup-ply system, construction staff will not be in the same departuser is in a better position to negotiate a different tariff and can reduce his own power bill ment as distribution staff. A by local peak lopping and better organisation would be to power factor correction. In 1948 there were over 600

each with generating and dis-tribution networks. The national grid would be jointly power companies, many with small generators - mainly diesel engine driven. Their unit cost was so high that they Any power company want-ing to save money can do so by putting the supply at risk. Cor-rection of low estimates could were removed from service after nationalisation. Introduction of the gas turbine did not result in lower unit costs, but their flexibility as standby result in poor supply for years. Completion of new power plants - after all consents have been received - takes plant gave the added use as peak lopping plant. Use of com-bined gas turbine/steam plant results in larger stations located close to cooling water supply. Their unit costs still prohibit use as base load plant. from 18 months (minimum) to six years or more, depending on the complexity of the plant being installed. Meeting con-sumer demend in the most effi-Prices will rise before privatisation to make the chares attractive. The idea that prices

will fail later is a figment of the politician's imagination. Even so, will they offer pre-in-Operating an integrated system demands central control of additions to the system because location of generating plant must be associated with the ability of the network to creased prices? Norman Foulsham,

13 Lovelace Drive, Pyrford, Woking, Surrey.

#### Power in 1992

#### From Mr Felix Bruppacher.

Sir, While I agree with Man-rice Samnelson's report (November 16) on the sensitivities with which present partici-pants view the EC Commission's efforts to integrate the electricity sector into plans for 1992, I fear that my remarks on the Commission's investigations into various models for operating the transmission network in Europe might have been misunderstood.

mission has not yet taken any decisions on the subject, nor am I able to say which of the operating models under study it might favour.

F. Bruppacher, Elektrizitāts-Gesellschaft Laufenburg AG, CH-4335 Laufenburg, Switzerland



The right choice.

Union relationships at British Rail BR's proposal on restructuring was a response to an NUR claim first made six years ago. If there have been delays, they are not one-sided. From the General Secretary, National Union of Railwaymen. National Union of Railwaymen. Sir, Given his usual meticu-lous attention to detail, it was disappointing to note that Jimmy Burns's article "BR calls all change on the union front" (December 7) contained a number of errors of fact

of course, unions take time to arrive at decisions - it is what democracy is all about. BR took many monthe to devise a new negotiating procedure - and then changed its mind. Are we expected to respond overnight?

Far from being the dinosaurs

It is not true that most National Union of Railwaymen (NUR) decision-makers "have held their posts over a long period". Under the rules of the suggested in the article, it is union, both NEC members and the unions who have consis-tently argued for higher invest-AGM delegates have to retire after three years in office, and are not eligible for re-election ment in railways and public transport. Public opinion has. at last caught up with us. It is the unions which have argued for a further three years. Negotiations on the train-crew concept took 18 months, not the that BR's pay structure was seven years implied by your inhibiting recruitment. Again we have been proved right. Only six months ago BR was

a number of errors of fact.

correspondent. It was a little surprising that he did not make clear that



trouble recruiting and retain-ing skilled technicians. Now it is offering these grades telling the media that it had no is offering these grades another £30 a week to "assist retention" The NUR has never been

cient way cannot be done on a

accommodate it. Outsiders just

fragmented basis.

afraid to adapt its policies and structures where this has structures where this has proved to be necessary. How-ever, this does not mean we jump every time BR asks us to. I would suggest that the gen-eral tone of the article has more to do with BR senior management polishing up its

image prior to privatisation -perhaps in anticipation of a management buy-out - than any genuine desire to improve the lot of railway workers. J. Knapp, National Union of Railwaymen,

Unity House, Euston Road, NW1

To my knowledge, the Com-

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### **FINANCIAL TIMES**

Wish their contented customers and ICL friends a Happy Christmas and prosperous New Year.



### Employers unveil their charter for Europe

Ian Davidson examines a solemn declaration and demands for economic freedoms

FIRST-EVER summit meeting of all Europe's employers' organisations yesterday launched a sol-emn charter in support of Europe's single market, sched-uled to be completed by the end of 1992.

The significance of yester-day's event probably lies more in its political symbolism than in the contents of the charter itself. By and large, the terms of the employers' charter for Furner are much as one might or the employers' charter for Europe are much as one might expect. But the fact that the employers' organisations have chosen to draft such a charter, and to publish it in circum-stances designed to secure maximum media attantion is maximum media attention, is no doubt symptomatic of the growing pressure of the busi-ness community behind the European single market.

The charter, which took the form of a 16-point declaration setting out the employers' commitment to the freer market, as well as a series of demands

By Anthony Robinson in Brazzaville

the European Community and the governments of the mem-her states, was publicly endorsed by the heads of the employers' organisations of the 12 members of the European Community as well as by their Community, as well as by their counterparts in eight other

European countries. The presentation of the "sol-emn declaration of the companies of Europe" was held as the climax of a special congress of the French employers' organisation, the Conseil National du Patronat Français (CNPF).

After the ceremony, con-ducted before an audience of some 4,000 French business-men, the European business leaders presented their declara-tion to President Francois Mitterrand at the Elysée Palace. Mr François Perigot, head of the Patronat and chief instiga-

tor of yesterday's declaration, told the Congress: "If we do not create a true Community, we shall not long snrvive. What is at stake is a moderni-

Pretoria cedes independence to Namibia

inside the Community to the sation of France. There is no other eight. Austria, Switzer-land, Sweden, Norway, Fin-land, Iceland, Malta and Tur-key are not members of the other solution." The declaration addresees four demands to institutions of the European Community: • to encourage a better con-vergence of economic and mon-Community, but their employ-ers' organisations are members of the European confederation of employers' organisations,

etary policies, to guarantee financial stability in Europe; ● to develop policies which would enable backward regions to catch np, as the nec-essary condition of developing a harmonious single market; preted in some parts as a dis-guised call for a qualified form • to extend co-operation with other countries of Europe so as to create "a vast economic space in Europe, a centre of growth and economic liber-

growth and economic inper-ties;" and • to secure "equality and reci-procity" in market access in trade negotiations, according to the rules of the General Agreement on Tariffs and Trade (Gatt). The reference to "a vast eco-ponic space in Europe" is no Europe." This accusation was explicitly rebutted by the heads of the 12 governments in a joint declaration at their recent summit meeting in

The declaration also calls on the governments of the 12 nomic space in Europe" is no donht a gesture hy the 12 employers' organisations from member states: • to reduce hureancracy

and provide a European area of freedom;

• to favour investment, by containing the weight of corpo rate taxation: • to guarantee that the man-

agement of governments and public eervices will be run more efficiently; and

The claim for "equality and reciprocity" in trade negotia-tions will inevitably be intereto modernise educational systems so as to give the young the best possible chance in the Europe of the single

in the Europe of the single market. Significantly absent from the declaration is any disposition to compromise with the con-cept of a "Social Europe" as defined by Mr Jacques Delors, President of the European Commission. of protectionism, reinforcing accusetions in the US and Japan thet the single European market is intended to set up a protectionist "Fortrees

The declaration offered no more than an undertaking to continue a tradition of social dialogue. This is likely to be a subject of contention next January, when Mr Delors holds a

mass in several areas of its operations. Its defence husi-ness is tiny for a company of its size, and a successful hid for Plessey would greatly enhance its ambitions in this direction as well as giving it a much stronger position in a major European market where Dec'87 it is under-represented. And while it is a sizeable player in telecommunications systems, current trends dictate that it needs to be larger, especially in the world's biggest single mar-

the world's biggest single mar-ket, the US. The tie-up with IBM should go a long way towards helping on the latter score. It increases Siemens' US manufacturing base substantially, and will also much improve its distribu-tion. For IBM, the benefits – amart from loss elimination – apart from loss elimination -are less obvious. Its dreams of the captive husiness which would materialise by harness-ing computers and telecommu-nications technology have failed to live np to expectations, and yesterday's move is a tacit admission of the fact.

Granada The IBA may well be coming round to the idea that the taboo on television takeovers should be lifted well before the end of the current franchise; but that does not mean that Granada, among the most cele-Granada, among the most cele-brated targets of the past, is going to be on the block. With rental and retail profits repre-senting over half the group total – and television only just over a sixth – any hidder would have to purchase an awful lot of Granada television sets before it actually got to sets before it actually got to either the programmes or the airtime. And that assumes that the two could agree a deal in the first place - which can scarcely be much in Granada's interests at the moment. tinued their calamitous underperformance of the past three But if prospects for televiyears - 47 per cent down from sion profits remain at best the peak in absolute terms, 59 per cent relatively. The prouncertain and at worst dis-tinctly dull, the full integration spective multiple of around 10 of Electronic Rentals, together is at a discount to the sector, but so it should be: unless, that with a UK rental market in the best shape in years, should mean higher rentals profits for is, the new head of the super-Granada this year. All sorts of new electronic toys - satellite receivers, stereo TV, and high market business can be expec-ted to make his presence felt from the outset. There is also definition television - are about to arrive to stimulate the the matter of Hermans - now expected to improve slightly

over the full year, despite increased interim losses, but still a long way from the possi-bility of being sold for what it is worth. The yield, at 7.7 per cent even should the final be maintained, makes the shares look fairly eafe; hut there seems little fundamental rea-son to buy them.

#### Racal

The Racal Telecommunications success story has been well rehearsed, so the real interest in yesterday's half year figures from its parent, Racal, was how the rest of the business did. The answer is not very well. Strip out a £4.7m profit on a Florida property profit on a Florida property sale, and the non-telecom bit of Racal, which still accounts for over 80 per cent of group sales, marked time. Currency factors knocked £20m off group turn-over, but nevertheless a less over, but nevertheless a less than 5 per cent rise in the sales of the rest of Racal's business is pretty pedestrian; and Racal lived up to its reputation for nasty surprises with a turn-around into the red in its speci-

alised husinesses. With the £320m it raised from the sale of 20 per cent of Racal Telecom, Racal's balance sheet is in a much healthier shape, and the rapid rise in the Racal Telecom contribution over the next few years is a comfortable cushion. Even if the rest of Racal does nothing, the group's earnings will be growing hy 30 per cent plus for several years. However, Racal cannot rest on its laurels. The predators may have deserted the scene temporarily, but if Racal does not start to sort out the rest of its business shortly they will doubtless return.

#### Booksellers

Yesterday's EC ruling on the net book agreement turned out a mere technicality on Irish exports, but initial reports of a blanket ban caused consterna-tion in the UK book trade. Enough that television is to be subjected to the brute forces of commerce; allowing books to be sold competitively would harm both publishers and booksellers, and what is bad for the book trade is had for the public. Investors, too, can be assured that the system will continue to support established publishers like Collins, and restrain hrasher booksellers like Pentos. The printed word, after all, is special: imagine what would happen if newsagents started competing on the prices they charge for newspapers.



Pik Botha: important step

on achieving independence. The protocol signed yester-day was agreed in principle in Geneva last month. It will be At a formal signing of the "Brazzaville Protocol" in the Palais du Peuple, the three governments agreed that implementation of UN Resolu-tion 435 should begin on April followed by a final meeting in New York on December 22 to sign a formal tripartite agree-1 next year. The resolution ment linked to a bilateral envisages a seven-month tran-sition to elections and the Angolan-Cuban treaty formal-ising the troop withdrawal. Both treaties will be sent to

withdrawl of Cuban troops the UN Security Council for approval. Then the countdown over 27 months. This will be verified by a WILL Degin for

tion (Swapo). Cuba has undertaken to remove half its 50,000 troops from Angola by election day and relocate the remaining 25,000 beyond the 13th Parallel, 550 kilometree north of the A Unita epokeeman deecrihed the Brazzaville agreement as "an important step for peace," and called for talks with the MPLA. If negoti-tions did not out out on whether the ations did not get under way, Unita would "intensity armed 550 kilometree north of the Namibian border. At the same time, South Africa will with-draw all its troops from Nami-hia, apart from 1,500 who will be confined to the Oshivelo and Grootiontein bases, more than 100km from the border. struggle," the spokeeman warned. Mr Pik Botha, the Sonth African Foreign Minister, used the occasion to underline Pre-toria'e future role as an Afri-can power and thanked Congo-

By July 1991 all the 50,000 Cuban troops currently fight-ing alongside Angolan Governleee President Denie Sassou-Nguesso and President Mobuto of Zaire for their roles ment forces against South Afri-can and US-supplied Unita forces, led by Mr Jonas Sav-imbi, should have left the in the talks. Mr Botha said the agreement

marked an important step towards the solution of a dis-pute which began with the German colonial occupation of country. Mr Chester Crocker, the US Assistant Secretary of State for Atrican Affairs, who has been acting as mediator, gave spe-cial thanks yesterday to his South West Africa over a cen-tury ago and which "had con-tributed to a hostile interna-tional attitude towards South Africa." Pretoria invaded South West Africa during the First World War and has ruled Soviet counterpart, Mr Anatoly Adamishin. He described the agreement as "a case study in the resolution of superpower the mineral rich, semi-desert country in defiance of the UN since 1966 when the organisa-But the protocol covers only

Peru mines strike ends as unions By Veronica Baruffati

miners remain at odds with mineowners and there are fears the dispute could break

Siemens' decision to help IBM Granada sort out its unhappy acquisi-tion of Bolm is not as dramatic Share price relative to the as its participation in the hos-tile bid for Plessey, but it is yet another sign that even the big-FT-A All-share Index afford to go it alone. Siemens may be a giant in European terms hnt still lacks critical MA /

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sated electronic consumer. But although that could be good news longer term, heavy initial investment in new products could depress profits at the start, and reduce the utility of the business as an engine for generating cash for the grow-ing computer services division. Solid Granada will remain; and thongh colldity is an undoubted virtue, it probably does not merit more than it has achieved already: a pro-spective rating in line with the market.

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#### Gateway

The market responded well to yesterday's interim profits from Gateway, or perhaps merely to the 17 per cent increase in the dividend. Cer-tainly, the 23 per cent jump in first half pre-tax profits will not be easy to metch in the not be easy to match in the second. Last year's problem-ridden first half was swiftly fol-lowed by the bid from Barker & Dobson, which in turn prompted an amhitious sec-end half former amhitious secprompted an amintious sec-ond-half forecast, subsequently met and correspondingly hard to beat. And while this year'a first half margins of 4.4 per cent in the main business are ahead not just of last year'a abnormal figure hut also of 1986 levels, the like-for-like sales increase of 2 per cent

sales increase of 2 per cent post-inflation is a reminder that the climate for food retailers is getting chilly.



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sign accord in Lima

THE EIGHT-week old Peruvian miners' strike ended officially on Monday evening with an agreement between the Gov-ernment and the unions, but

hears the dispute could break out again. Miners' leaders agreed to end the strike after signing an 11-point programme with govern-ment officials, led by Prime Minister Arnando Villanueva del Campo.

The crux of the deal is the Government's recognition of the right of the National Federation of Miners, Metallurgical and Steel Workers to present industry-wide demands. Other points include early retirement, wage increases, bonuses, guaranteed holidaya and the

joint meeting with Europe's employers and trade unions.

ecial ioint com sion whe will monitor withdrawal and provide a forum for complaints. Both the US and the Soviet Union would have observer status in the commission, which must be approved by the UN Secretary General. Namibia will be invited to join

By Joel Kibazo in London

world.

business travel.

**Continued** from Page 1

Siemens, with a strong back-

ground in telecommunications

equipment, will form a whol-ly-owned US subsidiary to take

over Rolm's product develop-

Rolm plants and one Siemens facility in the US and a Sie-

mens development unit in New

Jersey. Rolm's research and

development site in Colorado

Howard H. Kong Innebruk Inverner Isletusbul Jokanbul Jokanbul Jokanbul Jokanbul Jokanbul Jokang

will be phased out.

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The unit will comhine two

ment and manufacturing.

THE Japanese cities of Tokye, Osaka and Kobe continued to hold the dubious hon-our of being the most expensive in which

to live, according to a survey of living costs and business expenses in 103 cities conducted by Business International, the

business research and information group. Latin American cities, however,

appeared at the other end of the scale, with Caracas, capital of Venezuela, cred-ited with the title of cheapest city in the

For the business traveller on a short trip, Tokyo was also the costliest place for an executive hristing, followed by Lon-don. The British capital ranked only 16th

in the overall league of most expensive cities, but hotel prices pushed London to near the top of the league when it came to

Based on the costs incurred by an exec-utive traveller staying overnight in a city

hotel, paving for a business lunch for two,

dinner for one and taxi rides, the survey found that in Tokyo the cost was the

**IBM enlists Siemens' aid** 

IBM will co-operate with ucts in Canada, Japan, Hong Siemens in designing Kong and other countries.

WORLD WEATHER

52 Cports 77 Calo 77 Paris 57 Peking 50 Prague 84 Reykjavik

sions

UN and both superpowers.

7,500-strong UN Transitional Assistance Gronp (Untag) to supervise elections to a Namibian constituent assembly by November 1. The elections are expected to give a majority to the ostensibly Marxist South West Africa Peoples Organisa-

lars.

advanced equipment for han-dling voice and data transmis-

The two companies will

form a joint venture for mar-

keting and servicing Rolm equipment in the US.

It will employ some 5,500

employees from IBM and the

telecommunications group of Siemens Information Systems.

made PBX in Europe, a weak

market for Rolm. It will also

continue to market Rolm prod-

61 Filodes 48 Rio de Jo

23 64 Rome 77 63 Salzburg 25 78 San Franci 25 77 San Franci 25 77 San Franci 25 78 Sandhau 46 83 Singapore -14 07 Stanshour -9 10 Stanshour 03 97 Synthey 25 77 Tangler 26 84 Tel Activ 26 97 Tangeler 27 7 Tangeler 28 84 Tel Activ

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IBM will market a Siemens-

the Angolan conflict. A return to peace also requires some form of internal reconciliation between the MPLA Government and Unita, which have been fighting a civil war since the country gained independence from Portugal in 1975.

cities

conflicts."

Japanese cities crest cost of living league

equivalent of \$726. The same trip cost \$499,15 in London, \$453.15 in New York

Mr Yohannes Mazeinga, a Geneva-based expert on the cost of executive living who

helped compile the report, said the expen-sive hotel prices in London may soon have

an adverse effect on business activity as

more executive meetings may be moved to cheaper cities such as Paris and Brussels.

Oslo remained Europe's most expensive

city and Helsinki edged out Zurich for second place in the list. The report says

the drop in value of the dollar against currencies within the European Monetary System made European cities expensive,

articularly for expatriates paid in dol-

New York was the most expensive US

city, followed by Los Angeles. Toronto was the most expensive Canadian city, followed by Montreal, with these cities

ranked 21st and 22nd in the overall

league table. The report says the strength of the

scale."

Continued from Page 1

pared for a disaster on such a

He said thet 216 specially trained dogs (mainly French) had been used in the rescue to smell for survivors: "We (the

Soviet Union) do not have a aingle one such dog." In this he

was contradicted by his col-

league, Mr Lev Vosnesensky,

spokesman for the Council of

Ministers, who accused him of

"believing Soviet television,

which unfortunately shows

only foreign rescuers."

Continued from Page 1

request.

nock said.

and \$439.90 in Paris.

Mr Crocker later added that the Brazzaville Protocol "signi-fies the end of a sad chapter in Africa'e modern history and the beginning of a new one." Timetable,Crocker profile, Page 4. De Beers diamond mine in Namibia, Page 34.

Canadian dollar contributed to making

these cities expensive compared to US

improved their ranking due to the strength of the dollar at the time of the

survey, although the weaker dollar since

the survey's compilation had made Ameri-can cities considerably cheaper. The survey reported that cities like Rio

de Janeiro and Sao Paulo in Brazil were still comparatively cheap places in which to live, despite inflation rates as high as 400 per cent, since the high inflation rates

were often offset by regular devaluations. The exception was Mexico City where, the report said, the overvalued peso made the

city one of the most expensive in the

ville, Abidian, and Dakar made the over-all top ten of the world'e most expensive

cities. This was because the Central Africa Franc was pegged to the French Franc and because of the heavy taxes lev-

Mnch criticism is focusing

on the poor quality of the flats in the area. Mr Nikolai Ryzh-kov, Soviet Prime Minister,

said that "had there been bet-

ter standards there would have been less loss of life."

The paper Sovietskaya Ros-siya said that the authorities in

Leninakan appeared to have

done nothing to secure public hygiene, and commented that

"such passivity is unaccept-able." The Armenian authori-

ties have arrested seven activ-

ists in the national movement.

ied on imports in the region.

More chaos in Armenia

The African cities of Libreville, Brazza-

The report said that most US cities had

establishment of committe deal with problems resulting from the strike.

According to Mr Saul Can-toral, secretary general of the miners' federation, the Government has now promised to introduce a hill to convert the decree recognising miners' industry wide claims into law. But the underlying issue behind the strike has not been resolved. The National Mining Society, the owners' associa-

which ended on August 17

after 80 days, was solved in the same fashion, with a govern-

the right of 80,000 miners to industry-wide claims. The mining companies see the signing of the agreement as

a graceful exit for the miners' federation from a strike which

had already been broken, with over 30 per cent of miners already back at work.

For the Government, it rep-resents a show of force on the

eve of the crucial American

Popular Revolutionary Alli-

ance party congress to be held

in Lima this weekend. By yesterday afternoon, min-

ing companies had still not seen copies of the agreement and were thus reticent to com-ment. Many believe that the document will gather dust and

that production would alowly return to normal. But mining

A DESCRIPTION OF A



#### Small diameter tube and automotive: rapid focused growth

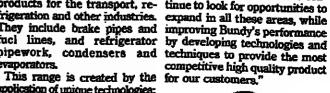
LAST WEEK TI announced the TI in February 1987 bought products to meet individual disposal of its Cheswick and Armco's European small diameter customer needs. Bainbridge silencer businesses tube interests - ten times the size Small, purpose-built units in 13 to Arvin for £110 million. Stan- of Fulton's-to become European locations in North America and dard Tube Canada was also sold market leader. That August, TI 11 locations in Europe add value, to Ferrum for £31 million. These bought sole control of Fulton. rigorously check quality and deals substantially reduce TT's Then in April 1988, TI acquired supply just-in-time, keeping automotive interests.

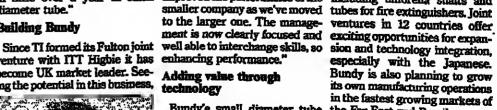
Sid Taylor, President & Manag- 55% of the US market and joint ing Director of TTe Small ventures in the Far East, India Diameter Tube and Automotive and Central America, to achieve husinesses, says: "We're con- world leadership. Sid Taylor future growth. There is continually reshaping TI into a then integrated the individual siderable potential for new apgroup of companies which are, or managements, technologies and plications in existing businesses world leader businesses. An famous Bundy name.

venture with ITT Higbie it has enhancing performance."

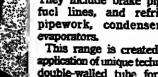
pipework, condensers and techniques to provide the most evaporators.

Bundy'e small diameter tube the Far East and Brazil. goes into a range of safety critical Sid Taylor states: "We'll conproducts for the transport, re- tinue to look for opportunities to





frigeration and other industries. expand in all these areas, while They include brake pipes and improving Bundy's performance fucl lines, and refrigerator by developing technologies and



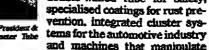
become UK market leader. See-ing the potential in this business, technology

Sid Daylon, Dissector, Ti Group pic & President & Managing Director Ti Sangil Dispecter Table

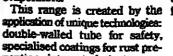




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application of unique technologies: specialised coatings for rust pre-





Thatcher stands by Dublin agreement

come of the extradition would also be problems about the security of witnesses, she Mrs Thatcher had "blown" the possibility of extradition and should consider pursuing said, adding that if the case failed through the absence of witnesses, Mr Ryan could not Mr Ryan through the Irish Criminal Law Jurisdiction Act, under which those suspected of be subsequently re-tried under

crimes outside Ireland can be tried in Irish courts, Mr Kinsuggestion that media coverage or other public statements While the Government has in Britain may have prejudiced Mr Ryan's chances of a fair not ruled ont the possibility of bringing charges against Mr Ryan in Ireland, Mrs Thatcher trial. She pointed out that the extradition proceedings against

said that only two of the four charges against him would be valid under Irish law. There

British jurisdiction. Mrs Thatcher dismissed the

Mr Ryan in Belgium were held in public and the charges wide publicity.

as strike ends. Page 34

against him had been given In his statement, Mr Murray

Copper and zinc prices fall

Ryan that, were he to be extra-

dited to Britain, it would not he possible for a jury to approach the issue of his guilt or innocence free from bias," I Comprete The and Street Contract Protocol and Street State

trial. "The effect of the mate-

rial which has been published has, manifestly and inescapa hly, been to create such preju-dice and hostility to Patrick

said that every citizen had a constitutional right to a fair

a nationwide campaign. Even if miners return to diameter tube." work on Monday it will be at **Building Bundy** least two weeks before production levels return to normal.

ing companies to recognise miners' federation industrywide demands, they will take their case to court and mount

companies consider that by early next year the miners' federation may call for another failure to faifil their promises. If pressure is exerted on min-

in little over a year in small improved the performance of the including umbrella shafts and

smaller company as we've moved tubes for fire extinguishers. Joint

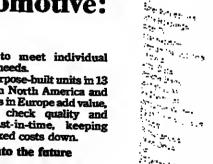
have the potential to become, skills of each business under the such as diesel fuel injection sysexcellent example of how we As Sid Taylor says: "We've not for single wall purpose-built tubexploit potential is what we did just maintained but significantly ing is already being developed.

Growth into the future Bundy has great scope for

tems. A wide range of other uses

Bundy Corporation, which had Bundy's fixed costs down.

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tion, still refuses to recognise the federation's claims, argu-ing that each mining company works out wage agreements with their own unions. The previous miners' strike



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### **FINANCIAL TIMES COMPANIES & MARKETS**



Wednesday December 14 1988

#### **Dow's money-making** theory of evolution Dow Chemicals kept



INSIDE

his nerve during the mic-1980s, and decided to stay put in the commodities

side of the industry. Fellow US companies, Monsanto and Du Pont lost theirs and sold or

Monserro and Du Font lost trains and and an shut many of their commodity chemical operations just before the market began to pick up. Now, with commodities contributing strongly, Dow's 1988 net income is set to dou-ble to \$2.4bn. Peter Marsh examines how the company has prospered from a policy of evolu-tion rather than revolution. Page 24

#### Italians see little mutual benefit

The strength of the Italian stock market in the second half of this year has failed to stem the flow of cash out of the country's mutual funds. Last month, however, the deficit between sales and redemptions fell, and prospects are beginning to look brighter. Page 46

#### Hope grows in the rain forest



INDONESIA'S rain forests are being depicted at an alarming rate by commercial logging and slash and burn agricul-ture. But a breakthrough by e Dutch scientist now offers hope that reaffor-estation can become

commercially viable with the dipterocarp — the country's principal indig-enous species, which takes 60 years to mature and flower for the first time. Page 34

#### Pac-Man goes on the offensive in Californian video battle

A real-life video game battle between the US and Japan has erupted in California. Atari Games has taken legal action charging Nintendo of Japan with illegally monopolising the market for home video cartridges. At the same time, Atari has launched a version of its poputar Pac-Man game to run on Nintendo manufac-tured frome video systems. Page 22

#### Unloved-by-some Gateway rings up profits of £78m



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Gateway, the British supermarkets group led

by Mr Alec Monk (left), has had its ups and downs over the past few years. It has not been the favourite stock of the City of London, has suffered management upheavels and had to fight off a hostile bid from the much smaller

Barker & Dobson. But yesterday it reported a near 23 per cent rise in Interim pre-tex profits to £78m. Page 26

### Activase sales hit Genentech

#### By James Buchan in New York

GENENTECH, the premier said sales of Activase would US biotechnology company, says it will report a loss in the current quarter because of disappointing sales of its main heart drug, known as t-PA or Activase.

The announcement, made to New York securities ana-Analysts say that not only Wall Street is to blame. "It can't be said that the com-pany didn't smile on the lysts on Monday evening and confirmed yesterday, shows the difficulties facing Amer-ica's fledgling biotech industry as hopes of wonder drugs fail to bear fruit. Some ana-lysts believe Wall Street's dis-Street." said Mr Samuel Isaly, appointment with Activase will make it harder for new biotech companies to raise

capital Genentech, which is based unchanged yesterday at a just south of San Francisco, lowly \$15%. Other biotech said its sales would tumble to companies which tapped about \$85m in the current investors' enthusiasm for bioquarter, down over 10 per tech by raising venture capicent from the 1987 fourth tal, such as Amgen, Cetus quarter when Activase was and Chiron, have all seen their stock fall since early first on sale in the US. The company is expected to lose 1987. between \$14m and \$16.5m in the quarter and turn in net income for the year of about

Some analysts believe some start-ups will be forced to link up with cash-rich compahalf last year's \$42.2m. nies in the traditional phar-The main reason for the maceuticals industry if they fourth-quarter loss is a are to fund new product charge of \$25m which Genenresearch and development. tech is taking to recognise that some of the Activase

Mr Kirk Raab, Genentech's president, said the company now clogging wholesalers' would now expand its hospishelves may exceed its pertal sales force and concenmitted shelf life and be unsatrate on convincing doctors of the benefits of thrombolytic Genentech, which was founded in 1976 to commercitherapy and the use of Activase. alise genetic engineering.

reach \$150m this year, with a

20-25 per cent increase next year. The industry says these are astonishing figures for a drug approved for sale by

Washington only last Novem-

excess expectations on Wall

ties in New York.

#### Thorn-EMI in deal to sell **Inmos to SGS-Thomson**

#### By Hugo Dixon, in London

By Hugo Dixon in London

**RACAL Electronics is talking to** 

several defence companies, in the UK and continental Europe, with

a view to selling or merging its

£140m-turnover-a-year defence, radar and avionics businesses.

revealed yesterday by Sir Ernest Harrison, Racal's chairman, are a further sign of the pressures on Europe's defence electronics com-

panies to achieve economies of scale in research and develop-

ment spending at a time when defence markets are stagnant.

costs of developing new weapon systems over a wider base has

been cited by GEC-Siemens as one of the main reasons for a £1.7bn (\$3.13m) hostile bid for

Plessey, the UK electronics com-

on the same day that Sir

Ernest announced that Racal was examining the future of its defence operations, the company

THE GLOOMY state of the

London stockmarket was graphi-cally illustrated yesterday when two major equity issues failed to

two major equity issues failed to attract investors. Nearly two thirds of the £81m rights issue launched by Ratners, the UK's largest jewellary chain, was left in the hands of under-writers, whilst Compass Group, the cataring and healthcare com-

pany, achieved only a 68 per cent take-up for its £55m offer for sale.

the company which bears his

name and architect of its rapid

growth from profits of just film in 1984 to an estimated f80m in

the current year, said that the 35 per cent-plus take-up was a tri-

umph under the circumstances. The issue - the company's

fourth in three years - was

launched in the second week of October to help finance the

£135m acquisition of the Zales

Mr Gerald Rainer, chairman of

By Philip Coggen and David Waller

The desire to spread the high

The discussions, which were

THORN EMI, 'the UK retailing and technology group, confirmed last night that it had reached a prelimiunderstood that Thorn will receive a 10 per cent shareholding of the enlarged group, worth some \$200m. nary agreement to sell its Immos semiconductor subsidiary to SGS-Thomson,

The preliminary agreement is subject to final approval of the companies' boards of Europe's second largest semidirectors, shareholders and

reported a 44 per cent increase in

pre-tax profits to £62.4m for the 28 weeks to October 14. Turnover

The strong growth in its Racal Telecom subsidiary masked a

stagnation in other parts of the group's activities. Racal Telecom tripled pre-tax profits to £30.6m in the first results reported since

the parent company sold 20 per cent of its share holding in an offer for sale in October. Profits

in the non-telecommunications businesses were static at £26m

(226.2m), and would have fallen but for a \$4.7m exceptional profit on property seles. Non-telecom-munications turnover crept up to

£546m (5519m). Sir Ernest refused to name

which companies Racal was talking to about the future of its defence businesses, except to say they were matuly in the UK. The UK's leading radar and avionics

companies are GEC-Marconi,

Issue take-up reflects gloomy SE

and Salisbury store chains from

Next. Ironically, it was Next's warn-ing a fortnight ago that this year's profits would be "substan-tially" lower, followed last week by the ousting of Mr George Davies as chief executive, thet

depressed the retail sector as a whole and drove Ratners' shares

below the 175p offer price. Mr Ratner said that his com-

pany had been unfairly lumped in with other retailers suffering

from a downturn in consumer spending in a competitive mar-ket. He said despite the recent

rise in interest rates to 18 per

cent, business was booming in

the crucial pre-Christmas period.

Compass's float was launched shortly after an offer from Beta-

com, which also found little favour with investors, and fol-

lowed the early trading in British

Steel shares which proved disap-

Next.

was £760m (£680m).

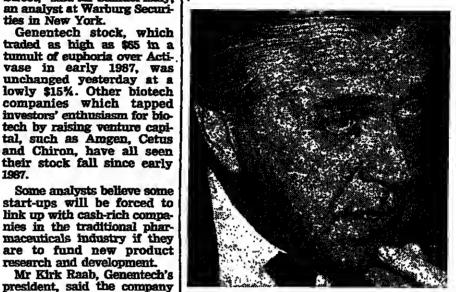
### **Disappointing** |Lonrho fails to win share freeze order

#### By Raymond Hughes, in London

LONRHO, the international conglomerate, has failed to get a temporary order freezing 95.02m of its shares, 21.5 per cent of the equity, held by companies con-trolled by Mr Alan Bond, the

trolled by Mr Alan Bond, the Australian entrepreneur. The High Court yesterday accepted an undertaking by Mr Bond and five of his companies not to dispose of the shares, or any interest in them, pending a full court hearing next month. However, Mr Justice Hoffmann rejected a plea that the undertak-ing should allow the Bond com-panies to accept any general offer for the entire share capital of Lonrho. That, he said, would enable them to dispose of the shares if a bid were made before the full hearing. the full hearing. Lonrho was given leave to

appeal The judge said that Bond inter-



ests started to acquire Lonrho shares in late September. Lombo served notices under section 212 of the 1985 Companies Act requiring information about the Bond holdings of its shares.

notitings of its shares. The early replies had estab-lished that the shares were being acquired by Bond Corporation Holdings and vested in its whol-ly-owned subsidiary, Hurstmere Enance finance.

No mention had been made of any companies in the Bell group, in which Mr Bond had a controlling interest, having an interest in the shares.

However on November 14 it had been revealed that the bene-ficial owner of 20m of the shares in England as to what was happening in Australia, or vice versa, and that the answers which had now been given were shire, a Bell subsidiary. A further answer on November correct.'

stated that Hurstmere only held 18.75m shares beneficially.

the remaining 76m or so being beld by it on trust for Wilshire, beneficially for the Bell group.

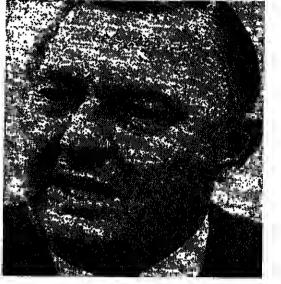
pressure on the Bond companies to give more information, including a full explanation of the con-tradictory replies. More recently the Bond compa-nies had announced to the Perth Stock Exchange that the whole of

Lonrho also wanted details of any agreements to acquire the shares – in particular whether the 76m shares held on trust by Wilshire had been acquired for shares - in particular whether such agreements referred to the possibility of a bid for Lonrho. The judge said it would not be right to assume that the Bond companies' present position -that whatever inaccurate infor-mation had been given earlier, the beneficial ownership of the shares had now been correctly stated - was wrong. If at the January hearing it' appeared that full information had been given, and that there was an adequate explanation for the earlier inaccuracies, the court might think it unnecessary to Wilshire beneficially in the first place. The judge said that Mr Michael Crystal, QC, for the Bond compa-nies, accepted that the early answers had not been correct. "He said, however, that that was not the result of any deliber-ate wish to conceal information. It was rather a misunderstanding in England as to what was here.

ing order was desirable to put

Mr William Stubbs, QC, for might think it unnecessary to Lonrho, had argued that a freezimpose a freeze.

Bond **Corporation** is "technically insolvent," says Lonrho's Tiny Rowland (left). A claim dismissed as "rubbish" by **Alan Bond** (right)



### Mr Bond's tub-thumping war dance

**Ray Bashford** reports on a rare London appearance by the Australian entrepreneur

THE ELABORATE war dance between Mr Alan Bond, the mil-lionaire Australian businessman and yachtsman, and Mr Tiny Rowland, the chief executive of Lonrho, increased in tempo yes-terday when Mr Bond popped up in London and held an unprecented press conference.

With the bonour of his com-pany under attack from one of the past masters in takeover mud-slinging, Mr Bond dismissed Lonrho allegations of techical insolvency as "rubbish."

Plessey and Ferranti. Sir Ernest said a merger between GEC-Siemens and Ples-

sey would "not be the end of the

world<sup>°</sup> for Racal's defence busi-nesses. When GEC first bid for

Plessey in 1985, Racal was one of

Plessey in 1985, Racal was one of only two defence electronics com-panies to argue before the Monopolies and Mergers Commis-sion that it should be blocked on competition grounds. The other company, Thorn EMI, made clear last week that it was no longer opposed to a merger. Bacal's defence, radar and avi-onics division saw operating prof-

onics division saw operating prof-its alig to £5.6m (£5.9m). Security, one of the two areas Racal has targetted for future growth, earned £13.7m (£12.0m).

Data communications and data network services - the other tar-

getted area - saw profits dip to £11.8m (£11.9m). Racal Telecom results, Page

pointing to those expecting a sig-

The pricing of the issue, which

put Compass shares on an his-toric price earnings ratio of 12.6 is not believed to have been a significant factor. Mr John Nel-son, managing director of Lazard Brothers, underwriters to the

Compass issue, said: "The feed-back we had was excellent but people couldn't bring themselves to get out their chequebooks."

The FTSE 100 index, which

closed yesterday at 1752.6, is 4.5 per cent lower than its level on the day that the British Steel

offer was priced two weeks ago

today. The stores sector has

fallen 8.4 per cent against the

market as a whole since October

11, the day that Ratners launched

Ratners' share price fell 4p to 165p yesterday against 192p when

the issue was announced.

· ·

its issue

28; Lex, Page 20

nificant premium.

If they were true, he said, Bond Corporation would not be still trading in Australia. But he was silent on his intentions towards Lonrho, amid speculation that he may launch a bid for the com-pany early in the new year. Mr Bond's appearance before the British press suggests that Mr Rowland has drawn blood, Even so, Mr Bond did not use the opportunity for a detailed rebut-

tal of the stinging allegations lev-elled against his company in a 93-page Lonrho document released last month.

"If you get a document that is rubbish it should be treated with the disdain it deserves and put in the rubbish bin," he said.

The press conference, held in his new palatial offices in May-fair, where the paint is still dry-ing, was master-minded by Mr Tim Bell, a public relations exec-utive and adviser to Mrs Margaret Thatcher. It was generally

short on specifics. This was due in part to Mr Bond's claim that he could not talk about his intentions towards Lonrho, in which he has a 21.4 per cent stake, because of yester-day's court hearing in which Lonrho sought to freeze the hold-

him over the Bond Group's financial position, Mr Bond said: "We're not going to debate our company with him. We'll debate Lonrho with him one day."

"very interesting that intelligent people take any scrious note of it (the Lonrho document) when you have other information available. Mr Bell and company execu-tives later made clear that this "I find it deplorable that share-holders' funds should be so mis-used. When you are a director of did not refer to the possibility of a takeover. Mr Bond said: "If he (Mr Rowland) wants to talk about used. When you are a director of a public company you have an obligation to serve all the share-holders in that public company," While refusing to comment directly on the Lonrho allega-tions, Mr Bond did claim that one of his businesses I'll be pleased to talk to him about one

of his businesses one day." Mr Rowland's document was apparently aimed at undermining through his continuing pro-gramme of asset disposals, the group's A\$4.5bn debt at the last Mr Bond's financial credibility and standing with international banks while, speculation has it, he is filling the war chest for a takeover battle. It concluded that the Bond group, through a tan-gled network of interlocking shareholdings, had gross borrow-ings and commitments of A\$14bn (\$12.1bn), an adjusted net worth of a negative A\$4.2bn and a "disastrous" record as an investon the telephones seeking ammunition.

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**Companies in this section** 

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conductor maker. The two companies also elaborate on the proposed financial arrangements, it is

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leable.

ted next month. confirmed that, in exchange for Inmos, Thorn would take a stake in the merged group. Although they refused to

A link with SGS-Thomson

will create a powerful European group to compete with the US and Japanese leaders in the industry.

However, asked whether he was willing to take up Mr Row-land's challenge to debate with

June balance sheet date would be "substantially reduced" by February. The next step in the dance may well come from Lonrho: within minutes of yesterday's confer-ence finishing, its advisers were

Mr Bond replied that it was

#### This announcement appears as a matter of record only



A new company formed by the Management has comple the purchase of Milthorp Limited

Financing Structured and Provided by

**CRÉDIT AGRICOLE** London Branch

**ROBSON RHODES** Financial Advisers to the Management

DIRB LUPTON BROOMHEAD Legal Advisers to the Management

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CRÉDIT AGRICOLE

November 198





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#### **INTERNATIONAL COMPANIES AND FINANCE**

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tion in the market for home

video game machines, Nintendo has forced the more than

30 companies that have written

games that play on Nintendo

machines to have all of their

### Nintendo under Atari Games fire

By Louise Kehoe in San Francsico

A REAL life video game battle between the US and Japan has erupted in California where Atari Games, an offshoot of the original video game company, has launched a legal attack on Nintendo charging the Japanese company with illegally monopolising the market for home video game cartridges.

22

Simultaneously, Atari Games has introduced versions of Pac-Man, the all-time big seller in the video game market, and two other games, designed to play on Nintendo's home video game system.

Nintendo has built a near monopoly in the US and Japanese video game markets over past two years with its highly popular home video game machines and game car-

tridges. Although the Japanese company licenses other parties to design gamas for the machines, it insists on mann-facturing all game cartridges itself in Japan and regards control over the supply of games as a key element of its business strategy, according to Nintendo executives speaking recently in Japan. US consumers have become

frustrated , however, by a severe shortage of the latest Nintendo games, caused, according to the manufacturer, by a shortage of the memory chips. Game designers, includ-ing Atari Games, have seen their sales limited by Nintendo's production sbortfall. Now Atari Games aims to capitalise upon tha latent

demand for games for the Nintendo system by rushing its own products to market in time for the Christmas rush. Since its introduction in the US in 1986, the Nintendo Entertainment System bome video game player and games have revitalised the video gama market. The company claims an 86 per cent share of the US market, which is expected to

total over \$2.3bn this year. In its anti-trust suit against Nintendo, Atari Games is seeking triple damages of \$100m, accusing Nintendo of monopolising the home video game market with a system that locks out competitors'game cartridges. "Using this barrier and its completely dominating posi-

Nintendo's exclusionary practices have limited competition and drive np prices, it says. Nintendo America, the US subsidiary of tha Japanese company, declined to comment on the suit. Atari Games was formed in 1985 as a result of the break-up of the original Atari Inc. Atari

Games is privately held and has no affiliation with Atari Corporation, also formed following the break-up.

### STC to pay \$90m for National Semi unit

By Louise Kehoe in San Francisco and Hugo Dixon in London

STC, the UK's second largest electronics company, has agreed to buy Datachecker, a specialist US computer company, from National Semicon-ductor, the US semiconductor manufacturer, for \$90m. The move is part of STC's strategy to build up the position of its ICL computer subsidiary in several specialist markets. The acquisition is the second

big transatlantic purchase made by STC this month. Last week the company agreed to pay \$168m for Computer Con-soles, a US telecommunications ousine

These acquisitions are signs of renewed vigour at STC, which has made a strong finan-

**Promotions** at

**Control Data** 

CONTROL Data bas

strengthened its senior man-

agement by promoting two executives who played major

roles in restructuring the com-puter equipment and services group when it fell on hard

times in the mid-1980s, writes

The Minneapolis-based group

made Mr Lawrence Perlman,

50, president and chief operat-

ing officer and Mr John Buck-

ner. 52. vice-chairman and

chief financial officer. Mr Rob-

ert Price, 58, remains chairman and chief executive.

**Roderick Oram.** 

#### difficulty in the mid-1990s. Datachecker has net assets of more than \$50m, and recorded sales of about \$200m over the past 12 months. The company has been profitable for the past 12 years, according to National Semiconductor, but its growth in the US has been hit by intense competition from IBM and NCR, the computer manufacturers. In the first quarter of fiscal

1988 National took a \$16.5m charge associated with the restructuring of its information systems division, which includes Datachecker, and the withdrawal of Datachecksr's latest product.

By Karen Zagor in New York

Datachecker specialises in electronic point of sale systems for the retailing industry. This cial recovery from a period of is one of the four computer markets ICL has been targetting. The others are: financial services, local government and central government. One of the attractions of Computer Consoles is that it would help STC build up its government busi-ness in the US. National Semiconductor and

Strong recovery continues at Fluor

STC also announced an agree-ment in principle under which National will grant a worldwide licence for certain patents and trademarks to STC for use in retail systems, in return for royalties payable over the next three years.

Mr Charles E. Sporck, National Semiconductor presi-dent and chief executive offi-cer, said: "Datachecker's primary market focus, scanning systems for the supermarkst industry, was a niche market for National Semiconductor. By combining forces. Data-checker and ICL have the synergy necessary to grow in the retail market place." Explaining the move, Mr Peter Bonfield, ICL chairman,

said: "The new combined organisation will have a scale of operation capable of succeeding on the world stage, increased focus on the retail market and a greater depth of product capability."

### Japanese plan second pulp mill in Alberta

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By Robert Globens in Montreal

game cartridges manufactured by Nintendo-Japan at prices it dictates," the suit charges. JAPANESE gronps are investing C\$1.2bn (US\$1bn) in a second bleached pulp mill in northern Alberta to provide fibre for their booming paper markets.

Honshy Paper Company and Mitsnbishi Corporation, through 64 per cent owned Crestbrook Forest Industries, have received the go-shead from the Alberta Government to proceed with a mill with annual capacity of well over 500,000 tonnes, with start-up due in 1992. Daishowa of Japan has

already begun construction of a 500,000 tonnes a year pulp

a 500,000 tonnes a year pulp mill further north. Crestbrook, which operates sawmills and a pulp mill in British Columbia and a ply-wood plant in Alberta, was one of two finalists in the bid-ding for timber rights in the Athabasca area 75 miles north of Edmonton. Granting of tim-ber cutting rights is the essential step in any forest products Investm The area has huge resources

of aspen hardwoods and sprace softwoods, and both of thenew mills will use both species. Alberts has been develop-ing its forest industry to diversity its oil- and gas-based economy. The difficulty with the northern areas has been the

cost of moving product to the US or to tidewater at Vancouver for overseas markets. Also infrastructure is minimal.

The provincial Government provided loan guarantees for the Daishowa mill and a domestically owned mill nearer Edmonton and is also taking up convertible deben-tures issued for both projects. Crestbrook is expected to

receive similar aid. • A Japanese consortium headed by C. Itoh has joined Canadian Pacific and Talesat Canada as shareholders of a new Canadian telecommunications company to provide mobile satellite communica. tions in North America. Telesat holds 50 per cent of Telesat Mobile, CF 30 per cent and the Japanese 20 per cent. Initial equity will be C\$100m.

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### **Record sales and recovery** at Seat boost VW hopes

#### By Andrew Fisher in Frankfurt

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German motor group, is optimistic about next year after achieving record sales in 1988. New models, a move into the black by the Seat subsidiary in Spain, and progress in the diffi-cult South American market have all contributed to

improved profits this year. Group turnover will show a rise of around 7 per cent, to nearly DM59hn (\$34bn) in 1988, with unit sales of VW, Audi (the group's German up-mar-ket subsidiary) and Seat more than 3 per cent higher at 2.8m vehicles. At the same time, VW has cut its worldwide work-force by 4 per cent to 253,000 as part of efforts to curb costs and

VOLKSWAGEN, tha West workers from its domastic labour force by 1992. This year, through non-replacement of those leaving the company and early retirement, it bas reduced its employee total at VW and Andi in Germany by around 5,000 to 128,000. The Wolfsburg-based con-

cern has made clear that it intends to increasa its low after-tax return on turnover of about 1 per cent to 3 per cent. It gave no indication of the size of 1988 profits yesterday, but recently announced a 7 per cent rise in group earnings to DM419m at the nine-month stage. In 1967, earnings rose by 3 per cent to DM598m and Mr Carl Hahn, the chairman, has indicated that the 1968 increase

raise profitability. VW yesterday denied reports that it planned to shed 14,000 will be at least 9 per cent to a minimum of DM650m.

### **Deutsche Bank insurance move**

#### By Haig Simonian in Frankfurt

DEUTSCHE BANK, West Germany's biggest bank, will later today announce its long-expected movs into the life assurance business, ending months of speculation in Ger-many about its plans. Details of the decision,

Allianz is setting up a new holding company, Allianz RAS France, which will bring together most of its existing which is likely to be announced at the bank's press conference in Düsseldorf this afternoon, remain sketchy. In operations in France under one particular, the question of whether it will buy an existing roof. Allianz already has two property and casualty busiinsurer or, as seems more likely, start up its own opera-tion from scratch, remains nesses in the country, as well as small re-insurance and life activities. Together, it ranks about 20th biggest in the unclear.

Seperately, Allianz, Europe'a French insurance market. biggest insurance company, which is likely to be one of the Mr Wolfgang Schieren, Allianz's chief executive, has

groups most affected by a long recognised that his com-Deutsche Bank move, yester-day announced plans to not yet concur with its wider restructure its Franch operations in order to bolster presence in Europe. The latest moves mean "we will not be bigger, but they will give us a its presence in the local marbetter basis to go further" in France, according to Allianz. The restructuring still has to

be approved by a shareholders' meeting of La Protectrice, one of Allianz's French subsidiaries, later this month. La Protectrice still has a small num-ber of independent shareholders, meaning that Allianz RAS France will be listed on the Paris stock exchange, although Allianz itself will own the vast majority of shares.

For next year, VW said eco-

nomic signs pointed to further expansion which should keep

motor markets buoyant. But in

some markets, the cyclical peak of demand had been

reached or passed. VW's new models, including the latest

Passat at the top of its range

the Corrado sports model and the latest Audia, would have a full year's impact on

VW said that Seat lifted

sales by 15 per cent and moved into profit for the first time in

11 years; it has been part of

VW activities for two-and-a-half years. The Autolatina partnership, which groups the

Brazilian and Argentinian operations of VW and Ford

Motor of the US, also made

considerable progress.

sales in 1989.

#### Varity reports continued improvement

VARITY, the Toronto-based farm equipment and industrial engine maksr, reports an in 1988 to date. increase in third-quarter earnings, continuing the improve-ment of the past 18 months, writes David Owen in Toronto, cent a share a year ago. The The advance is attributed to

latest figure includes \$9.4m from the realisation of prior years' tax losses. In 1987, the company included a \$3.7m higher sales, productivity gains and an improved product mix. The surplus asset sales which charge relating to the write-off comprised an important ele-

ment of 1987 returns, have of its investment in Massey Combines. The 45 per cent-owned subsidiary was placed made only a small contribution Third-quarter earnings were US\$20.2m or 8 cents a share, compared with just \$5.7m or 1 into receivership in March.

1987.

Sales rose by 13 per cent to \$524.9m from \$464.8m. Nine-month income potalled \$53.7m or 21 cents a share on sales of \$1.66bn, which com-pares with a loss of \$11.9m or 13 cents on sales if \$1,38bn in

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FLUOR, the California-based \$1.82 a year earlier. However, plant engineering and con-struction group, continued its struction group, community ins recovery by reporting profits for the second successive year after a string of losses, thanks to increased orders, profits from investments in coal and lead and the continued benefits of its large-scale restructuring

in fiscal 1987. Net profits for the fourth quarter which ended on Octo-ber 31 were \$23.6m or 30 cents a share, against \$145.5m or against a loss of \$75.3m in con-

the bulk of last year's profits came from discontinued operations. Continning operations previously gener-ated net profits of only \$24.2m. For the full year, Fluor reported net profits of \$58.4m or 71 cents a share, against \$26.6m or 33 cents a year earlier, on revennes of \$5.13bn against \$3.92bn. Continuing operations accounted for this year's entire net profits,

tinning operations a year ago. During the year, Finor's engineering and construction operations booked orders of 6bn, a 43 per cent increase. Mr David Tappan, the company's chairman, said that the company's "backlog is well diversified among the five business sectors - industrial. hydrocarbon, power, process and government - and nearly 25 per cent of the new work put into backlog in 1988 came from outside the US."

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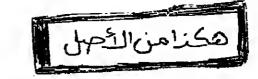
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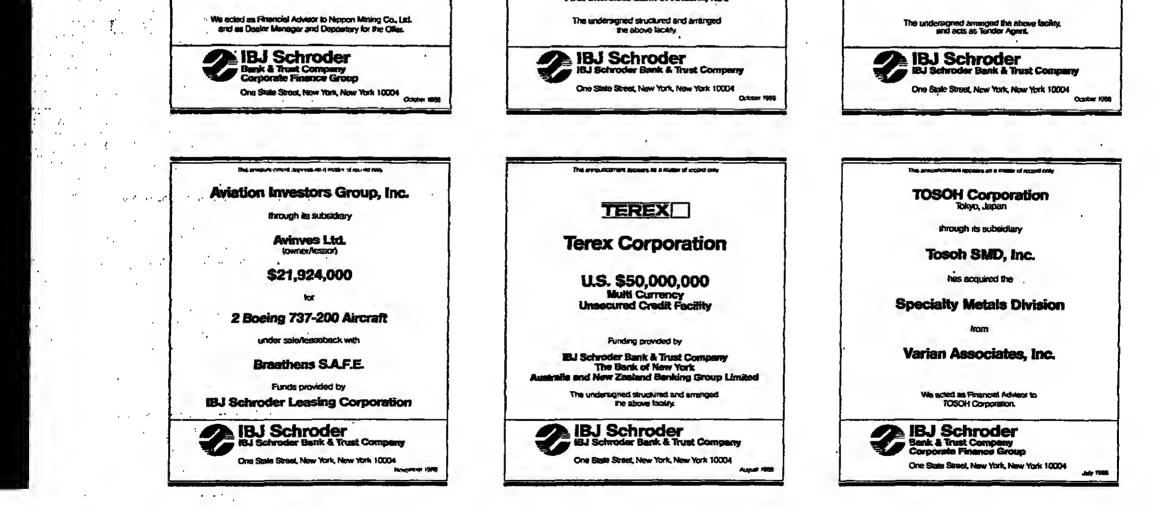
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#### **INTERNATIONAL COMPANIES AND FINANCE**

#### High-profile Dow Chemical mixes ingredients for record profits insurance

Peter Marsh on how a US chemicals group with a steady nerve is getting rich through commodity products

alm, steady growth, a rather than sudden structural change, has given Dow Chemicals a solid status in the US chemicals industry.

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Although hy no means averse to exploiting new areas of business, Dow decided in the mid 1980s to stick to commodity chemicals when many of its rivals were pulling out. This decision appears to have payed off handsomely.

The group, which is this year on course for record profits on sales of around \$16bn, has benefitted with much of the US chemicals industry from the surge in demand for many synthetic materials.

It is also performing impres-sively in some of the newer. research-intensive areas of chemicals - such as drugs and engineering plastics - that it has moved into since the turn of the 1980s.

Analyste say Dow's good results stem from the balance it has achieved in its business. In particular, they praise its determination of a few years ago to stay entrenched in the commodity side of the chemi-cals sector, which includes production of high-volume plas-

tics, like polyethylene and basic inorganic chemicals such as chlorine and caustic soda. Mr William Bowman, presi-

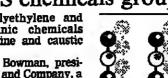
dent of DeWitt and Company, a Houston-hased consultancy, says it was sensible of Dow to continue as a major player in these areas during the mid 1980s wheo many of its rivals

were moving out. During this period, other big US chemicals producers like Du Pont and Monsanto sold or shut down many of their commodity chemicals plants because of oversnpply and the

subsequent decline in prices and profits. Mr Bowman says thet, in ret-rospect, many of these compa-nies made poor decisions. "They got out of major areas of chemicals just when the mar-ket was getting stronger." In the event, Dow's decision

was vindicated, with its com-modity operations contributing strongly to what is likely to be net income for this year of about \$2.4bn, roughly double the figure for 1987 which was itself a 70 per cent increase on 1986 profit.

Dow, however, has not hesi-tated to move into the newer areas of chemicals, hut has



#### **Chemical industry**

done so at a gentler pace than many of its rivals. "We prefer the evolutionary approach," says Mr Joe Temple, a Dow vice-president who is also chairman of Merrell Dow, the company'e pharmacentical division.

The company, based in Mid-land, Michigan, splits its operations roughly equally between the newer, research-intensive areas and the commodity operations.

Dow's activities are also spread globally - just under half its sales are in the US and about a third in Western Europe.

Although some analysts have their doubts about how the commodity-chemicals side, which is notoriously cyclical, will fare in the event of an economic downturn over the

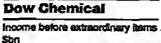
next few years, Dow is gener-ally optimistic. It is planning a hig increase in its global capital spending next year which is likely to rise to \$1.60n, against \$1.250n this year, according to Mr Eurique Falla, chief financial officer.

About 60 per cent of this will he spent on the commodity side of the operations, with roughly a quarter going on new plants and the rest on expanding or improving facili-

Mr John Garcia, an analyst at Werdheim Schroder, a New York investment bank, said Dow's "rational approach" to its husiness should see it emerge from any future reces-sion in reasonable shape.

Mr William Young, a managar william foung, a manag-ing director at Drexel Burn-ham Lamhert, anothar New York bank, says he has a nag-ging fear that the company might be too exposed on the commodity side. But they are generally well positioned and at the moment are offering one at the moment are offering one of the best returns on the stock market

Dow's programme of steady acceleration into the newer, specialised areas of chemicals came at the end of the 1970s. In 1980 it paid \$260m for Richard



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pany's anti-allergy medication, which is heading for sales of \$350m this year, up 50 per cent. Merrell Dow is continuing to pour money into R&D - the budget for next year is \$190m,

up from \$165m in 1988 - and is aiming for total sales of \$2.4bn by 1993 Dow has a medium-sized agriculture-products division, an area which like pharmaceu-ticals is highly research inten-sive. The division had sales of \$820m in 1987, making Dow the world's tenth higgest company in this field. The company hence however to record the hopes, however, to record \$1bn of sales in this area by 1990.

Restructuring Mr Temple scorns the idea shared hy some US chemicals producers - like Union Car-bide and Chevron, hoth of which have quit the agro-chemicals husiness - that the charges 88 son-Merrell, a pharmaceuticals son-Merrell, a pharmaceuticals group, which propelled the company into the drugs field. After several years of heavy research and development spending, the company's Mer-rell Dow division appears to have turned into a winner, with its \$1.1m sales in 1987 likely to rise by about 20 per R&D costs and environmental difficulties associated with this area make the husiness unattractive.

Other areas of Dow's product portfolio, which it hrackets as speciality items, include consumer goods like bathroom cleaners and plastic film. Dow was helped in this field with its likely to rise by about 20 per ceot this year. Much of the growth has been \$175m purchase in 1987 of Lamaur, a US consumer-proddue to the outstanding perfor-

mance of Seldane, the commarket totalling about \$10bn s

> main competitors are other big chemicals concerns such as Ciba-Geigy, General Electric, Shell and Bayer, are growing quickly thanks to their use in a range of consumer and indus-trial goods including cars, refrigerators and electronic

economic cycle.

### Trelleborg poised to sell chemicals unit

By Robert Taylor in Stockholm

TRELLEBORG, the Swedish industrial group with interests in rubber, plastics, mining and chemicals, announced yesterday it was negotiating the sale of its Boliden chamicals divi-sion to Kemira, the giant state-owned Finnish fertiliser and paints company. If the sale goes through it would create one of the big-

gest chemical conglomerates in Europe, with a substantial part of the water purification business, as well as chemicals

business, as well as chemicals for the pulp and paper indus-try and calcium chloride. Mr Bune Andersson, Trelle-borg's managing director, said the company had already made clear Boliden Kemi would have to seek co-opera-tion with another large com-nany in a similar business pany in a similar husiness area in order to grow further.

The two groups hope to com-plete the deal by the end of the month. Trelleborg said it had decided to sell Boliden Kemi because "we like to be the

ucts company. Dow also has a leading role in supplying speciality plastics such as polyurethanes, epoxies and engineering plastics like polycarbonates. These areas together account for a world

Applications involving these materials. In which Dow's

equipment. In the commodity areas of chemicals, Dow has a leading market position In several fields. It is the world'e higgest producer of ethylene, a basic feedstock chemical, and also polyethylene and polystyrene - two large selling plastics. It is also the biggest maker of chlorine and caustic soda.

Sales of all these substances, used in many basic businesses like construction, motor wehicles and consumer goods, are etrongly linked to the industrialised world's general

chemicals is very small and it simply does not fit in with our

Kemira is a dynamic state

owned enterprise with a annual sales of SKr14.5hn (£1.3bn) and 15,000 employees.

More than 40 per cent of its turnover comes from plants in the Netherlands, Belgium, the US, Denmark and Britain. It is estimated to be the sec-ond higgest fertiliser company to Functo and the fifth lower

in Europe and the fifth largest titaninm oxide producer in the world. Boliden Kemi would be

a significant additional acqui-sition for Kemira, and confirm

the company's continuing

aggressive strategy of huying

Boliden Kemi, with annual

philosophy."

abroad

chief Larry Adler dies By Chris Sherwell In Sydney MR LARRY ADLER, the

high-profile Australian entrepeneur with a penchant for profitable stock market deals, died in a Sydney hospital yes-terday, 10 days after suffering a heart attack. He was 57.

The share price of FAI Insur-ances, the master company in his husiness empire, tumbled with the news, finishing 50 cents lower at A\$2.60. It left the group with a market capi-talisation of A\$575m (US\$493.4m), one third of its peak of more than A\$1.7bn before the October 1987 crash.

Born in Budapest of Jewish stock, young Laszlo Adler joined the rush of East Euro-pean migrants fleeing to Aus-tralia after the Second World War. He was unable to speak English, and started his new life as a Melbourne railway

labourer. In 1960, after a series of jobs, he founded Fire and All Risks Insurance, later called FAI Insurances. Over the years FAI expanded to become Australia's largest general insurer. But its remarkable profits growth was attributable chiefly to Mr Adler's aggressive share market trading and investments.

At the height of the five-year bull run which ended in 1987, the company had risen to become the country's 25th larg-est. Mr Adler enhanced his rep-utation for shrewdness still further when he sold out many of FAI's hig investments before

the crash. His higgest play in Britain at that time involved Hill Samoel, the merchant bank, for which the Trustee Savings Bank eventually made a hid and gave him a handsome profit. This year he had built up a significant stake in Pearl Assurance, the UK insurance

group Mr Adler always argued that he had emerged unscathed from the crash because he was different from many other Australian entrepreneurs in having a "proper core business." In fact FAI suffered along with other glamour entrepreneurial stocks.

turnover of about SKr2hn, employs 1,500 people, and was acquired with the rest of Boli-den by Trelleborg in 1986. It He came in for criticism over the company's small dividends accounts for about 8 per cent and for its foreign exchange losses, which amounted to of the company's total hustmore than A\$30m net in the The division has a strong most recent year. The National Companies and Securities Commission (NCSC), Australia's stock market watchdog, also had him in its sights over deals involving Ariadne, Cum-berland Credit and Claremont Petroleum. He had denied any wrongdoing. Regarding his many corpo-rate plays, Mr Adler said he only invested in a stock if it had inherent value, if it was only invested in a stock if it had inherent value, if it was sufficiently attractive to huy 100 per cent of it, and if others shared his opinion so he could sell it on Instinct also played a part, he said. But no options could ever be excluded. "One of the worst things you can do is fall in love with your invest-ments," he once said. Yet while he was prond of his achievements and pleased with his weath, he was not flamboyant. A diabetic, he first suffered a heart attack nine years ago. The second, on December 3, now turns out to have been more serious than originally reported. As a result, the future of the group he came to personify is suddenly uncertain. His son Rodney, 29, who joined FAI in 1985 and became its investment manager, is one of the most favourad cambidetee to table manager, is one of the most favoured candidates to take over the helm. Directors will meet this week.

To enhance its access to U.S. investors



has established an American Depositary Keceipt program sponsored by Morgan Guaranty Trust Company.

Volkswagen is the first West German company to undertake a sponsored program for ADR's. Sponsored programs have traditionally made. foreign securities more attractive to U.S. investors and offer an excellent means of building a broader shareholder base.

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#### JPMorgan

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### JPMorgan

market position in the Nordie region in water conservation and cellulose chemicals. where we operate such as rub-ber and plastics. Our share in

#### Nokia board elects chief executive as shares slide By OIII Virtanen in Helsinki

THE SUPERVISORY board of Nokia, the Finnish electronics gronp, yesterday elected Mr Simo Vuorilehto, 58, as chief executive in place of Mr Kari Kairamo who died at the week-end

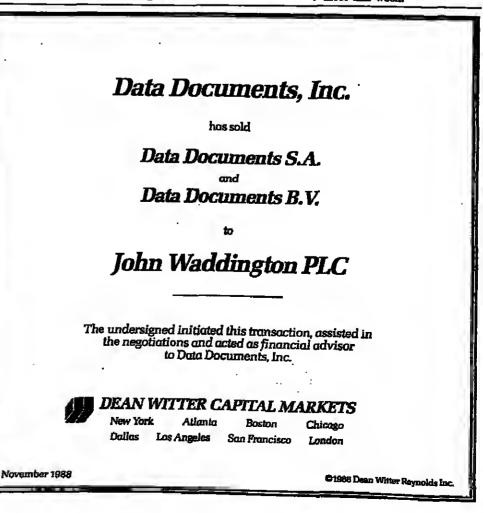
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His sudden death shock the confidence of investors in the company yesterday. Its ordi-nary shares fell 6 per cent dur-ing the day while free and restricted preferred shares plunged 12 per cent. The strong market reaction was, according to analysts, largely based on reports that Mr Kairamo committed sui-cide. He was found dead at bome on Sunday, but Nokia has said only that he died from a "sudden illness." The loss is unquestionably a

The loss is unquestionably a hlow to Finland's largest pri-vately held industrial com-pany, which under Mr Kair-

amo's leadership had become a major electronics gronp in Europe during the past couple of years. On the other hand, his agenda for the group's development has by now been carried out. Nokia is now consolidating its position as one of Europe'e leading consumer electronics companies, the biggest data . group in the Nordic countries, the world'e leading cahie machinery manufacturer, and a major player in the develop-ment of the GSM pan-European digital cellular telephone net-work. work

According to one industry watcher, the company now needed a technocrat to take charge of forging recent acqui-sitions into a working opera-tion. Mr Vuorilehto is regarded as having the necessary mana-gerial skills.



ACATOS & HUTCHESON plc

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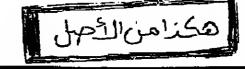
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# Business is not and cannot be apart from the community – it is a part of the community.

The Prime Minister, the Rt Hon Margaret Thatcher MP Delivering the Second Per Cent Club Annual Lecture 8 December 1988

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### %

### **COMPANIES COMMITTED TO THE COMMUNITY**

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This announcement appears as a matter of record only.

### LCI Communications Holdings Co.

has acquired

### LCI Communications, Inc.

and its wholly-owned subsidiary

#### **LiTel Telecommunications Corporation**

for

#### \$200,000,000

We structured and negotiated the above transaction, and our venture banking affiliate, Warburg, Pincus Capital Company, L.P., acted as lead investor.

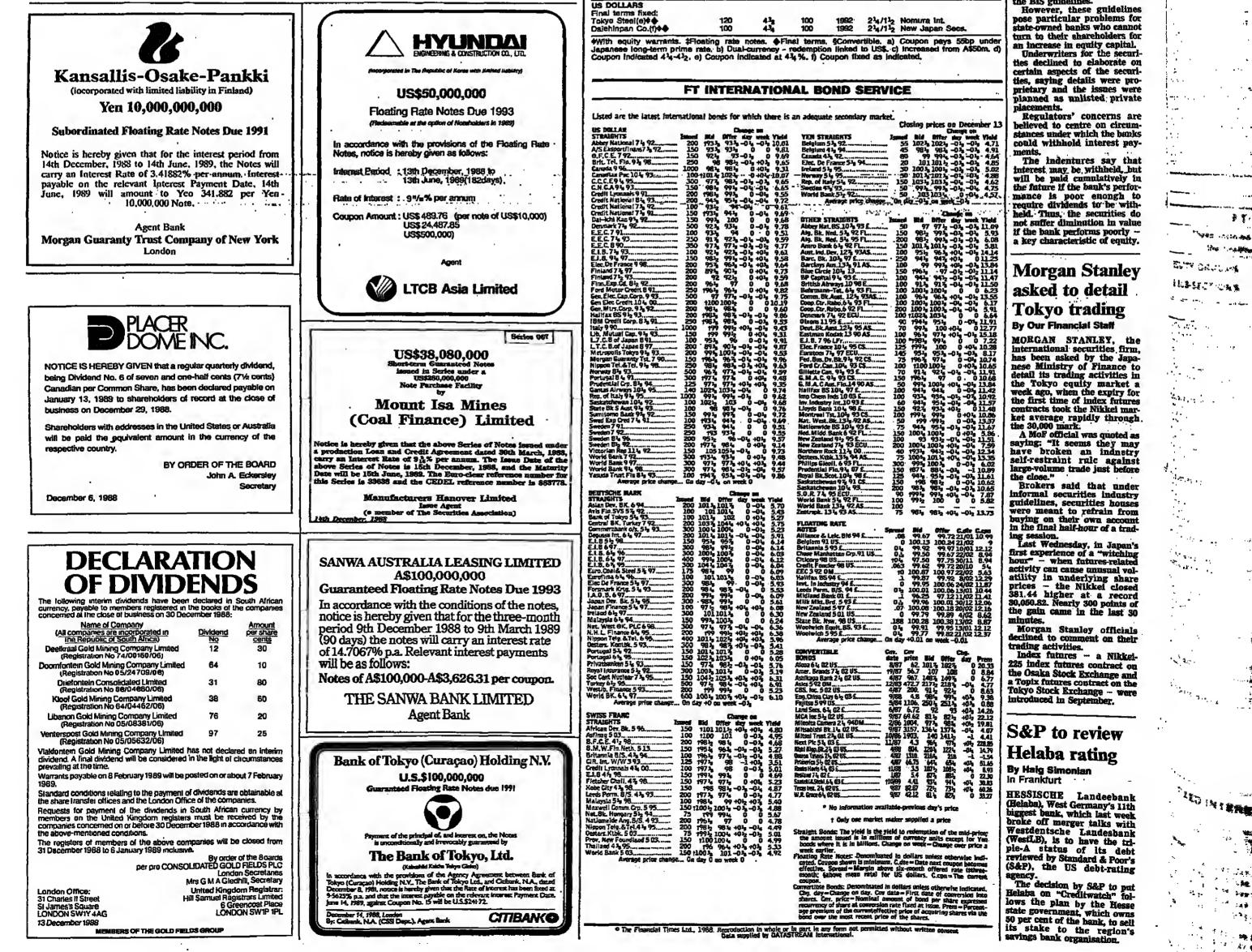
#### E. M. WARBURG, PINCUS & CO., INC. LOS ANGELES

NEW YORK

LONDON

November 1988

26



FINANCIAL TIMES WEDNESDAY DECEMBER 14 1988

BNP may

withdraw

offering

capital notes

x<sup>les</sup>

#### INTERNATIONAL CAPITAL MARKETS

### Two sterling deals form focus of subdued trading

#### By Dominique Jackson

the Eurobond market yesterday, with today's US trade report for December subduing activity in most other sectors of the market.

With investor demand thin-ning markedly ahead of the year end and most senior syn-dicate officials busy with a string of seasonal parties, the majority of new deals issued are expected to be connected with traditional last-minute jockeying for positions in the underwriting league tables. Secondary market business was thin and most bond prices

fell marginally in response to yesterday's release of US retail sales data for November, which sales data for November, which were far stronger than expec-ted. This fanned expectations that the US Federal Reserve would soon move to tighten monetary policy. Fears that many key interest rates in Europe will rise, led by the Bundesbank tomorrow, also affected sentiment in the nondollar cortext of the Europe

non-dollar sectors of the Eurobond market. J. Henry Schroder Wagg was the lead manager on a £100m

TWO STERLING denominated issue for Locas Industries, UK deals, one domestic and one Eurosterling, formed the sole industrial group, which focus of new issue business in reopened the long-dated end of the Eurosterling sector with an

#### INTERNATIONAL BONDS

over the 9 per cent Treasury stock due 2008, a level which some sector specialists at houses not involved in the deal considered to be slightly on the tight side.

detected fair demand for the deal and said there was a fair amount of switching out of government securities into both the Lucas deal and a £100m domestic issue for Enterprise Oil, the UK's larg-est independent oil and gas

The Enterprise deal consti-tutes a further tranche of the unsecured loan stock, first

By Norma Cohen which will form a single series of £200m 10% per cent unse cured loan stock 2013. The A MAJORITY of the Bank for International Settlement's international settlement's members opposed at a meeting in early December a move to allow proceeds raised by a novel security to count as Tier 1 core capital for regulatory funds will be used to contribute to the capital expenditure of its North Sea developments and the recently discovered. Nelson field.

The issue was priced at 97.10 per cent to yield 185 basis As a result, Banque Nationpoints over the 9 per cent Trea-sury stock of 2008. ale de Paris will have to decide shortly whether to withdraw a

 in Switzerland, a SFr23m floating-rate note issued in July 1980 for the Banque Ivoirienne de Developpemant Industriel continned under pressure. Neither the borrower nor the

guarantor of the deal, which is the Republic of the Ivory usl floating-rate capital notes — in order to meet regulators' objections, bnt risks having investors withdraw their Coast, has met an interest pay-ment which was due on July 17. Banque Gutzwiller Kurz offers to purchase them. BNP is believed to be unwill-Bungener, now Bank Leu Geneva, was the original lead manager on the deal. The borrower has now been notified that if the interest pay-

BNP is believed to be unwill-ing to issue the securities unless they count as core capi-tal because the bank already has sufficient secondary capi-tal and, in any event, could raise that category of capital more cheaply via other securi-ties ment is not met, the total amount ontstanding on the deal plus accrued interest, totalling SFr13.64m, will be called for payment next month.

The deal was trading at a level of around 94 yesterday. Earlier this year, it reached 101. March.

The BIS group said it would make a firm decision by Similarly, Crédit Lyonnals, which has already privately placed \$350m of similar securi-

ties with investors, mostly in Japan, plans a further \$150m of perpetual subordinated cap-ital notes. Changes in the con-ditions are already in the offering circolar.

Objections are said to have been raised particularly by the UK and Germany which believe banks' Tier I capital should conform as strictly as possible to the shareholders' equity and the retained earn-ings description contained in the BIS guidelines. However, these guidelines pose particular problems for the commod houles guide earnor

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issue due 2020. The issue was priced at 98.907 to yield 158 basis points

However, gilt market traders

prodocer

issued in June of this year. Barclays de Zoete Wedd and S.G. Warburg Securities are lead managers on the issue

STERLING Lucas Industries	Amount m.	Coupon %	Price 98.907	Metarity 2020	Fees 2 <sup>1</sup> 2/2	Book ranner J.H.Schroder Wagg
YEN Union Bk of Finlandt∳ BNP(b)∳	Sbn 20bn	(a) 8	100 <sup>1</sup> 4 101 %	1994 1995		LTCB Int. Bankers Trust Int.
AUSTRALIAN DOLLARS lasue Increased: Fin.Co.S.Australia(c) ♦	60	15	101.80	1991	134/34	COF
ECUs Final terms fixed: SCA Cap, Corp.(d)\$	. 101	434	100	2004	212/112	Svenska Int.
US DOLLARS Final terms fixed: Tokyo Steel(e)♦♠ Dajehinpan Co.(f)♦●	120 100	43. 43.	100	1992 1992		Nomura Int. New Japan Secs.

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			98 J				Ireland 5 1 95. minute
		1014					-Norway 54 95
		977					Rep. of Italy 54, 92
	150	981	994	-04	-04	6.65	Succes 45, 93
	200	1961	993	.0	-04	9.55	World Bank 512 92.

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#### **INTERNATIONAL CAPITAL MARKETS**

GOVERNMENT BONDS

### Firm sales figures curb Treasuries

By Janet Bush in New York and Katharine Campbell in London

AUSTRALIA

US TREASURY bonds moved modestly lower yesterday, after the release of much stronger than expected retail sales fig-ures for November and a sub-stantial upward revision in October's sales gain. By midsession, bonds had shipped about % point at the short and long ends of the yield curve, while medium-

dated maturities fell by as much as % point. The yield on the Treasury's at midsession, while the yield on the 8.875 per cent short The 1.1 per cent rise in November retail sales com-pared with a consensus fore-

cast of a 0.5 per cent gain. Of greatest surprise was the upward revision in October where the security sales to a gain of 1.6 per cent, from 0.9 per cent previously reported. November's figures were strong, even without the robust car sales component. . 👒

in any event allering category of capital sply the other score group said it would firm decision by iy, Credi: Lyonnak 5 Already privately 50m of atmular securi

¢,

The retail sales component. The retail sales figures should have been bad news for bonds but the negative impact. was limited partly by a desire not to run substantial short positions in view of today's October US trade report. There is still substantial pes-simism about interact. mins inism about interest rates, simism about interest rates, which keeps pressure on the short end of the yield curve. However, the yield curve remains inverted as there is some optimism that rates will ease in the longer term. Fed funds eased back below 8½ per cent, as seasonal pressures

on demand for money sub-

January.

ment securities.

effect from the beginning of

The more important is a change in the definitions of

low, medium and high coupons as applied to British Govern-

At present, the low coupon

category includes stocks with

nominal interest rates up to and including 9 per cent. In future, only stocks with con-

pons up to 7% per cent will

qualify. Medium coupons are to be

a partirularly by the Germany which ariks' Tier I capital ÷ D he sharebolden at the retained cars subties contained a TWO ADJUSTMENTS are to be made to the FT-Actuaries Fixed Interest indices with

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sation. y be able to modify the securities subordinated penet. g-rate capital units to meet regulator but risks baring withdraw their suprove them

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<u>,</u> maria cizza

BENCHMARK GOVERNMENT BONDS Mon Red Date Chasce Vield Price 13.500 8.750 9.000 10.87 10.33 10.11 9.77 9.19 9.08 UK GLTS 9/92 9/97 10/08 107-13 -5/32 11.03 91-10 -7/32 10.25 97-04 -13/32 9.32 US TREASURY" 8.875 9.000 11/98 11/18 98-04 -18/32 9.15 100-13 -1/32 8.95 9.05 8.92 8.92 9.03 JAPAN 4.45 4.53 4.71 4.79 5.000 12/97 103.0774 -0.087 4.62 3/07 109.1866 -0.001 4.76 - No 2 GERMANY 6.750 8/98 101.1250 -0.125 6.61 6.47 6.41 FRANCE BTAN 8.000 OAT 9.500 10/93 97.8265 -0.188 8.63 8.54 8.52 5/98 104.5750 -0.300 6.75 6.71 8.83 CANADA 10.250 12/98 100.7500 -0.500 10.13 19.05 10.15 NETHERLANDS 6.7500 10/98 101.3000 -0.050 6.64 8.57 6.44

12.500 1/98 99.8023 -0.081 12.69 12.46 11.81 London closing, "denotes New York marning session Month ago yields on US Treasury apply to the 9.250 of '96 and the 9.125 of 2019 Yields: Local market standard Prices: US, UK in 32nds., others in decimal

Technical Dete/ATLAS Price Sourced

DUTCH money market traders were puzzled yesterday when, for the first time, the Dutch central bank withheld the rates when it invited bids for new five-day money market advances. Prices would come out early today, it said.

Current market rates are 5.25 per cent, with the

5.25 per cent, with the advances expected to carry a higher interest rate. Most traders felt the unusual action stemmed from the bank's wish not to upset bid-ding on the new state bond that closed yesterday evening. The issue was expected to amount to between F12bn and F13bn, priced between 99% and 99.90. 99.90.

MOST participants in the UK government bond market were holding their breath in

10% per cent range, and high coupons will be 10% per cent and above. Until now, mediums have ranged up to 11% per cent and the high cou-

pon category has started at 12

changing structure of the gilt-edged market, in particular the lack of issues of high cou-

pon long-dated stocks follow-

ing the Government's move

Interest Committee also wishes

to bring the definition of low

coupons more into line with

The FT-Actuaries Fixed

into fiscal surplus.

These revisions reflect the

focused on the midday fiveyear auction for C\$650m matur ing on February 1, 1994. Deal-ers were making sure their books were short going into the bidding as the pre-auction market had been trading the stock down to 10.29 per cent in the morning, off from 10.19 at the close on Monday.

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TURNOVER in Japanese gov-ernment bonds confirmed the No 111s as the benchmark, when the 4.6 per cent bonds maturing in 1998 traded in excess of Y1,000bn, against Y120bn in the No 105s. Previous benchmarks have generally stood for about a year, but the benchmark system itself may well be outmoded sooner than that if the Japanese Minadvance of the US trade num-bers to be amounced today. In the UK gilt-edged bond market, prices dropped modestly in the afternoon in tandem with the istry of Finance moves to USstyle quarterly refunding.

IN FRANKFURT, the Bundes-bank set the tender for a new US-style 35-day repurchase agreement. The funds will be allocated today, when an ear-her repo of DM6-shn runs off. Traders believe the control Traders believe the central bank will replace the old faci-ity, or maybe issue slightly less funds to the market. Bond prices were generally five basis points easier ahead of important US data today and the German central bank meeting

tomorrow. A ½ point rise in the Lombard rate has been more or less discounted in the bond market.

#### Merrill Lynch reshapes section

gilt-edged investors, which is that they are in the 3 to 5 per MERRILL LYNCH Capital cent range. Users of the indices should be aware that there may be discontinuities at the begin-Markets has reassigned busi-ness functions in its global broker/dealer division as part of a restructuring of the The other adjustment is to the size of issues which will be eligible for inclusion as constitgronp, Rei New York. **Reuter** reports from

Under the reorganisation, the global debt financing divi-sion will assume responsibility sum will assume responsibility for US government and agen-cles, foreign exchange, munici-pal markets, international bond trading, financial futures inventory financing and debt analytics, with effect from January 1. and options, fixed-income



Arranged and provided by The Sumitomo Trust & Banking Co., Ltd.

Agent Bank

The Bear Stearns Companies Inc ration organised under the laws of the State of Delaware, USA)

U.S. \$200,000,000

Floating Rate Notes due 1994 For the three month period 12th December, 1988 to 13th March, 1989 the Notes will carry an interest rate of 9%% per annum with an interest amount of U.S. \$141.72 per U.S. \$10,000 Note payable on

13th March, 1989. Bankers Trust Company, London

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### This announcement appears as a matter of record only. October 1988

**PNC Financial Corp** U.S. \$100,000,000

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**Parc Securities Limited** 

£12,000,000

Secured Loan Facility

for the acquisition and refurbishment

of County Hall, Manchester

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Floating Rate Subordinated Notes Due 1997

In accordance with the terms and conditions of the Notes, the rate of interest for the interest period 14th December, 1988 to 14th March, 1989 has been fixed at 91/2% per amum. Interest payable on 14th March, 1989 will be U.S. \$237.50 per U.S. \$10,000 Note.

Agent Morgan Guaranty Trust Company of New York London Branch

CALLS

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#### LONDON MARKET STATISTICS LONDON TRADED OPTIONS **RISES AND FALLS YESTERDAY** INDICES CALLS ncial Times, PUTS

#### Same 29 23 792 398 56 12 88 97 British Funds Corporations, Dominion and Foreign Bonds Jam. Apr. Jul. Jam. Apr. Jul. 420 32 50 6<sup>1</sup>/<sub>2</sub> 31 34 440 9 27 37 24 31 38 140 21 27 37 24 31 38 140 21 27 38 2 4 7 160 6 12 15 8 12 13 81 20 364 144 25 1 64 9 426 127 24 0 38 10 Alles Lyons (\*442 ) Financial and Properties Brit, Alrways (\*158.) Plantations ..

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These indices an the institute							
EQUITY GROUPS		Tuesday December 13 1988					Me De 1
& SUB-SECTIONS Figures in parentheses show number of	(and	-	Est. Earning	Gross Oly, Vield%	Est. P/E.	xd adi. 1988	Int

A LOWER US market and extra domestic supply from the forthcoming auction depressed Canadian bonds about ½ point Fixed interest indices to alter

US credit market, which was lower because of an overshoot in November retail sales. Prices were also hit by ster-ling weakness, ascribed to fears of higher US and German interest rates. Two sterling issues, for Enterprise Oil and Lucas Industries, also had a broadly negative impact on gilts, as some institutions sold gilts to make way for the new paper, and others sold in a hedging operation.

uents of the Debentures index. This threshold has not been

changed for a number of years,

although the size of a typical

issue has increased substan-

Accordingly, the minimum eligible size of issue is to be increased from £15m to £40m.

Year ago (approx)

tially.

	& SUB-SECTIONS	Mines	Brth. & Comm.         200         36         22         6         9         -         150         1         3         -         37         37           (220)         2200         5         12         16         15         17         20         Racial         240         27         36         42         4         7         13           2400         2         5         9         34         36         36         7291         260         15         26         31         13         16         20
gan Stanley	Familines Ofv. P/E with add	Totals	
	Figures in parentheses show number of lanter Day's Yield% Yield% Raito 1988 lader hader ha		B.P. (7253)         240         18         21         77         24         74         18         8.1.1         390         43         57
d to detail	1 CAPITAL GOODS (209) 755.45 +0.7 12.32 4.78 9.94 25.27 749.33 749.33 749.33 679.83		British Steel 50 11 124 342 1 12 3 (*60) 50 21 52 72 24 44 74 70 2 2 3 102 11 14 Option Peb May Sep Feb May Sep
vo trading	1         CAPITAL 6000S (209)         755.45         +0.7         12.32         4.70         9.94         25.27         749.53<		Bass         750         35         64         87         13         28         22         Vasi Reets         70         7½         14         12         5         10         11           (7651         800         10         33         57         40         42         45         (770)         8         00         3½         5         36         17
Financial Slaff	4 Electricals (10)	LONDON RECENT ISSUES	Critical         Could A         Mail
S STANIEL F	6 Mechanical Engineering (55)	EQUITIES	Cons. Gold         1150         125         170         215         23         55         80         Amstrad         140         13         24         28         2         7         11           Cens. Gold         1150         125         170         215         23         55         80         Amstrad         140         13         24         28         2         7         11           CM2240         1200         140         140         75         105         cm151         140         13         24         28         2         7         11
	9 Motors (16),	have Annual Lines 1980 Such Chang +ar Met Times Grand P.E. Prise of othe Bigh Line Such Prise - De Chard Their Rado	
	10 Other Industrial Materials (23)	have Annext Lifeti 1990 Suck Disting +ar Bit These Gause P.E. Pate Pate State Bigh Lan Suck Pite - Dr. Dr. Dr. Ref. Ref. Ref. Ref. Ref. Ref. Ref. Ref	Camitanida         220         30         36         43         2         4         8         Barclays         395         12         -         -         3         -
	21         CONSUMER GROUP CL877         773.44         28.47         4.18         11.58         29.49         973.89         977.96         1005.03         94.21           22         Brewers and Distillers C2D         IIII.371         +0.2         11.53         4.04         10.83         30.86         1101.96         1117.78         1122.44         93.93           25         Food Manufacturing C2D	58         P.P.         -         65         58         Macrolic Metals 10p.         64         R2.0         2.9         4.2         11.0           520         F.P.         16/12         28         21         Macrolic Metals 10p.         28         24         +12         b0.45         3.0         2.1         18.8           52         F.P.         74         55         BTR Warrants         59         12.4         2.9         2.9         2.3           52         F.P.         71         43         Betaconic 12p.         59         12.4         2.9         3.0         2.3	Z50         612         14         19         17         19         26         Bine Circle         390         28         46          2         8            Com. Union         300         33         39         45         4         9         11         6         26         32         8         20         28           (%327)         330         9         18         28         12         22         25         Discons         150         24         19         2         6         9           (%327)         330         9         18         28         12         22         25         Discons         150         24         19         2         6         9         13         14         19         2         6         9         15         16         24         9         17         19         25         13         19         2         6         9         15         15         13         13         14         19         2         6         9           10         10         10         14         19         2         6         9         13         14         15
	25 Food Manufacturing (21)	12 P.P. 74 55 Birk Warrants	(%27)         330         9         18         28         12         22         25         Disens         130         8½         14         19         2         6         9           (%27)         330         9         18         26         12         22         25         Disens         130         8½         14         19         2         6         9           (%27)         300         21         28         34         2½         11         13         (%136)         140         2½         9         15         6         12         15           (%295)         300         9         16         22         12         20         21         64         1000         32         85         115         7         32         42
	29 Leisure G1)	BC         P.P.         - 210         103         +26         103         -2         R7.5         2.4         5.5         7.4           6335         P.P.         - 146         141         Bestrom Sp.         -         143         -2         R7.5         2.4         5.5         7.4           125         60p         -         63         584         Bettots Stred Stop         -         94         +4         17.5         2.7         8.0         5.1           126         60p         -         63         584         Bettots Stred Stop         -         94         +4         17.5         2.7         8.0         5.1           126         60p         -         63         584         Bettots Stred Stop         -         94         +4         17.5         2.7         8.0         5.1           127         60p         -         63         584         Bettots Stred Stop         -         76         18013%         33         2.7         11.7           670         P.P.         -         82         72         80onmed Express Jup         -         76         182.1         3.0         3.7         11.0	6.K.W. (*295)         280 300         21 b         22 b         11 b         13 22         12 20         21 21         12 20         21 21         12 65300         1000 3000         32 85         85         115         7         32 42         42 42           Grand Met. (*056)         454         25         33         50         64 24         18         (*1023)         1050         7         58         88         35         57         64           Grand Met. (*056)         454         154         14         18         fmmter Stdal         500         14         37         48         4         14         23
	51 Packaging & Paper (17)	S70         P.P.         61 <th6< td=""><td><math display="block"> \begin{array}{c c c c c c c c c c c c c c c c c c c </math></td></th6<>	$ \begin{array}{c c c c c c c c c c c c c c c c c c c $
	34         Stores (34)         664.82         +0.5         12.81         5.18         10.26         23.22         664.79         672.58         612.77           35         Textiles (1.6)         447.29         -0.5         15.56         6.28         7.70         19.12         449.72         451.44         447.74         573.72           40         GTMER GROUPS (92)         876.66         +0.4         11.98         4.92         10.19         28.79         872.91         877.67         880.16         881.79	41.54 F.P. 13/1 13/8 144 Democrayop	1.C.I.         950         52         72         95         12         29         57         (*511)         550         1         12         20         40         42         57           (*983)         1.0000         21         42         70         30         55         62         Hilindown         240         3         13         19         16         12         16           www.         240         25         31         44         17         17         W2331         240         1         44         12         16         12         26         1         44         12         16         12         29         16         12         26         1         44         17         17         W2331         260         1         44         12         16         12         26         1         44         10         27         27         29         14         14         10         27         27         29         14         14         14         14         14         13         14         14         14         14         14         14         14         14         14         14         14         14
	47 3 Annuales (15)	SR         P.P.	Januar         240         25         33         44         35         11         14         C2331         200         1         442         10         27         27         29           .
	42         Chemicals (22)         994.45         12.42         5.30         9.36         41.73         194.57         100.06         100.07           43         Conglomerates (12)         1216.28         40.6         12.15         5.09         9.56         54.04         120.05         100.06         100.07           43         Conglomerates (12)         1216.28         40.6         12.15         5.09         9.56         54.04         120.07         1242.25         1241.19         100.06         100.97           45         Shipoing and Transport (12)         1823.34         +0.7         12.88         5.15         10.64         62.48         101.197         1824.29         1829.71         169.55           47         Telephone Networks (2)         910.31         +0.2         11.86         4.74         10.94         21.88         990.74         96.64         91.93.55         835.59           47         Telephone Networks (2)         91.93         140.77         +1.1         12.38         4.72         9.18         41.15         1150.44         195.44         1150.44         1150.44         1150.44         1150.44         1150.44         1150.44         1150.44         1150.44         1150.44         1150.44	\$62         P.P.         68         63         Reiston investment Ta	Land Securitles         500         60         77         -         22         10         -         (°942)         360         6         25         41         26         44         54           (°553)         550         21         40         53         15         22         25         Mildiged Bk         360         45         -         -         1         -
togint there are and	43 Congiomerates (12)	<u>966 P.P 69 63 (65 attisand 59</u>	Marts & Spencer 140 8 24 17 4 64 8 420 2 11 20 20 33 33. (PAG) 160 1 44 8 18 18 20 Sers. 100 11 175 22 15 44 55 (PAG) 1 44 8 18 18 20 Sers. 100 11 175 22 15 44 55 16 12 25
·			
	49 INDUSTRIAL GROUP (488)	FIXED INTEREST STOCKS	STC         260         15         21         31         8         14         14         Transhouse Forte         240         9         181/2         28         2         11         14/2           r2d/31         280         5         11         19         22         24         26         r247         260         1         18         19         14         23         26           Subshary         140         15         21         24         26         7         100         13         43         43         7         100         75         75
	59 500 SHARE INDEX (500)		Salinghary         180         15         21         26         3         5         9         Theory EMI         600         12         43         62         7         18         25           C1901         200         4         16         15         15         14         16         r6071         655         2         19         33         44         47         57           Shinghary         177         25         23         14         16         7         18         25           Shinghary         100         4         16         15         14         16         r6071         655         2         19         33         44         47         57           Shinghary         177         53         32         13         19         10         13         10
	662,73 - 5.37 - 26.51 442,53 445.12 670.55 64.22	Issue Amount Latest 1988 Price Paid Remove 1988 Stack Price + or \$ up Date High Law	Shell Trate. 317 25 32 39 2 7 8 Wellcome 390 13 37 53 3 <sup>3</sup> 13 18 (*336) 333 14 21 27 6 14 18 (*401) 420 3 22 35 22 26 31
119 23.12.2	(Silemment (14b) (S)	100p P.P 96p 86p AMEC New 6-3p (Net) Can Ca Rd Pf 50p 85p -1	Storehouse 180 19 26 32 14 16 21 Gattas Dec Apr Jul Dec Apr Jal
	60 Insurance (Composite) (7)	100p         P.P.         -         95p         85cp         MARCE New 6-bp         06cl Can Car Mid P1 50p         -         103p         -         103p <th< td=""><td>Trafalger House         200         10         50         34         6         8         13         Books         200         14         37         1         6         10           Trafalger House         200         7         10         22         14         15         22         12         13         17</td></th<>	Trafalger House         200         10         50         34         6         8         13         Books         200         14         37         1         6         10           Trafalger House         200         7         10         22         14         15         22         12         13         17
	59 Property (52)	100.3s P.P 1015 94s Elactive of Hadge 9x Ca. Pl. 51 95s 100 -1 100 pp 100 -1	19td Bistaits 250 19 30 35 64 12 13
	70 Other Financial (31)	SUD0         P.P.         -         99% p         Summa from the CD Der. 9.325 pc Can Bd Pf SU1	(*269)         280         9         19         25         16         20         23         Deficion         Jan         Mar         Jan         Mar         Jan           Ultrammer         260         -         -         53         -         -         24         British Gas         150         3%         6%         15%         7%           (*276)         275         20         35         -         16         20         -         (*16.1)         160         4%         14%         4%         23         23%
	71         Investment Trusts 1760         940.58         -8.3         -         3.34         -         20.26         902.92         903.64         908.51         771.78           81         Mining Finance (2)         532.84         -2.9         11.47         3.92         9.72         15.67         548.45         553.31         554.96         436.91           91         Overseas Traders (3)	100p         P.P.         100p         P.P. <th< td=""><td>220 45 38</td></th<>	220 45 38
And Andrews	91 DVESSES FARE INDEX (710)	\$100         F.P.         100½         9%         #wite April 12(3): 4.12(9)         100½         +%           \$100         F.P.         960         Particle Gro Spatial 17(3): 4.12(9)         100½         +%           \$100         F.P.         960         Particle Gro Spatial 17(1): 10(1): 4.12(1)         100½         +%	Weekwarth         220         17         24         28         5         9         13           (*228)         260         4         8         12         33         33         35         Option         Jan         Jan           (*228)         260         4         8         12         33         33         35         RHM         330         30         -         <
	Ladex Day's Day's Dey's Dec Dec Dec Dec Year No. Change High (a) Low (b) 12 9 8 7 6 ago	100p         P.P.         105p         86p         AMEC New 64p (Net) Can Cr MI (PI 50p         86p         -1           100p         P.P.         105p         103p         94poils (Metals BORIE) Can WP Fillips         103p         103p         103p         103p         94poils         103p         103p         94poils         103p         103p         94poils         103p	(*348)   360   12   -   -   16   -   -
3 1 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2	FT-SE 100 SHARE INDEX &		GEC 1960 47 49 - 1 1 - Option Dec Mar Jul Dec Mar Jul
		RIGHTS OFFERS	(*25%) 100 25 30 36 1% 3 6 Beecham 460 7 31 45 6 17 24 (*46.1) 500 11/2 13 25 40 41 45
14 - 14 - 14 - 14 - 14 - 14 - 14 - 14 -			Option Jan. Apr. Jan. Apr. Jan. Apr. Jan. (444) 450 3 1 19 30 12 25 29
		lates Amount Lates 2988 Price Paid Researc High Low Stack Price + 4	Rolls-Rome 220 11 15 17 21 5 77 (*127) 130 31 81 11 7 81 15 07 00 17 10 10 10 10 10 10 10 10 10 10 10 10 10
			TSB         90         17         10         1         1         1         677         200         11         24         26         2         1         1         677         200         11         24         26         2         7/2         10           (*106)         2         10         13         1         3         4         (*289)         500         1         2         1         10         2         17         10           (*106)         2         10         13         1         3         4         (*289)         500         1         12         15         14         12         17         20
*=1* 		10         Hill         10/1         2pm         1pm         American Energy         1pm         1pm           55         Hill         16/12         12pm         6pm         Elactronic Machine Sp         6pm         -         -         -         6pm         -         -         -         6pm         -	Hanson 140 10 1512 18 12 24 34 (*250) 160 12 442 7 1012 12 125
	FIXED INTEREST AVERAGE GRASS THE Mod Year ago	10         HII         10/1         2pm         1pm         Adverture Farm         1pm         1pm           125         HII         16/12         12pm         5pm         Eactronic Mathematica         5pm         1pm           125         HII         22/1         22pm         5pm         Hittorn international         5pm         2pm         1pm         1	Option (Feb Apr Jul Feb Apr Jul (*131) 140 12 34 6 9 (*131) 140 12 6 7 105 12 16
A	13 12 Kapprox.	2015 Mil 13/12 21pm 2m Radray Group 10p 22, pm -22, pm	Latingter 420 23 31 40 13 1412 22 (*420) 460 7 15 21 42 43 44 Option Jun Mar Jun Mar Jun Mar Jun Mar
> to review	PRICE         Tue         Day's         Mon         xd adi.         xd adi.         British Government           INDICES         Dec         change         Dec         today         1988         1 Low         Syears         18.45         10.43         8.84           INDICES         13         %         12         to date         2         Corpost         15 years         9.65         9.65         9.65	a Anamatimed dividend La Figures taxed on prospectos estimates di Dividenti rate padi or supuble on part of capital, cover based on dividend un full capital, o Anamesi dividend and yield. Dividend and yield actuate special payment, in forecast, or estimator anamibed dividend rate, cover bund on provingent a rankings. Lestimator di mamatical dividend.come and pie based on latest annual camings. M Dividend and yield based on Propestic or other afficial estimates for 2500 k (Dividend and yield based on prospects or other official estimates for 2500 k (Dividend and yield based on propestic or other official anamatical dividend cover and pie ratio based on prospects or other official estimates for 2500 k (Dividend and yield based on prospects are other official estimates for 2500 k (Dividend and yield based on prospects or other official anamatical dividend cover and pie ratio based on prospects or other official estimates for 2500 k (Dividend and yield based on prospects or other official estimates for 2500 k (Dividend and yield based on prospects or other official estimates for 2500 k (Dividend and yield based on prospects or other official estimates with the fourth of source) is with the process of estimates for 2500 k (Dividend and yield based on prospects or other official estimates for 2500 k (Dividend and yield based on prospects or other official estimates with the fourth of the process of estimates of estimates a "rights" + introduction of Piecess proc. H Reintroduction of the pieces o	Enterenten 011 460 49 63 - 11 -
- till!	DEDICES Dec change Dec today 1988 2 Coupons 15 years 9.61 9.56 9.65 13 % 12 to date 3 25 years 9.15 9.11 9.47	forectar, or estanging annualized owners face, cover meets on previous you'r servings, L Edwarded annualized dividend,cowe and gie based on Latest annual samings. M Dividend and yreid based on Prosectars or other official ethicates for 1000 M Utilidand and visid based on property or cother official based on 2000 M Latest 0 Cover 0	
aba rating	PRICE         Tue         Day's         Mon         xd adi         tod adi         10 adi	annualised division over and ple ratio based on prospectus or other official estimates. W Pro Forma Agence, V Isang by tabler,A Offices is holders of ordinary shares as a "rights", t introduction giflacing price. It Reintroduction, a	
	1 5 years	(sued in connection with morganization merger or takonner, t Aliotanat, price, i Unitated accordies marint	BAA (*262)         260         15         25         333         7         9         13           (*262)         280         5         14         22         19         22         24         Option         Feb.         May         Aug.         Feb.         May         Aug.         Feb.         May         Aug.
	2 5-15 years		(401) 460 94 165 28 5 16 20 00m 9179 2005 98 2
	3 Over 15 years		
بالم المنتخصين القرار بالم الم المنتخصين القرار بالم الم المنتخصين المستحد المنتخصين المنتخ الم المنتخصين المنتخصين المنتخصين			CC331         2800         7         14         19         14         16         21         Tr. 12% 1995         106         -         -         14         -         -         -         14         -         -         -         14         -         -         -         14         -         -         -         14         -         -         -         14         -         -         -         14         -         -         -         14         -         -         -         14         -         -         -         14         -         -         -         100         1         -         -         -         14         -         -         -         -         14         -         -         -         -         100         10
م مونیند و با <sup>من مس</sup> تر (۶) از من منطق میشود و در موجد می مید میشود و در مربع همین مید میشود و	7 Uter 3 years	TRADITIONAL OPTIONS	Guinnest 300 38 46 52 2 6 7 (*328) 330 17 24 30 12 16 17 360 4 9 17 34 34 36 FT-5E 1650 110 120 2 812 -
	15 una 11 12 11 12 10 00	Einet Destings Dec 5 Calls in Kalon, Charter Cons.	LASHIG         420         48         45         80         17         29         37         Mder         1700         64         77         90         103         5         18         24         31           1450         25         43         52         43         52         37         60/27         1750         24         42         55         68         18         31         41         47           1421         460         25         43         52         53         55         56         18         31         41         47           500         15         25         38         66         75         80         1850         5         30         52         50         65         65         17         75
	9 Debenhares & Lasts 116.85 -0.02 116.85 - 11.62 10 Lasts 20 June 10.06 10.85 10.89 10 Devicements	Last Dealings Dec 16 Pentiand, BSR, Amai Finance     Last Declarations Mar 9 Weilman, BSR int, Holmes Prot,	C128 1         360         1         37         37         16         17         29         37         FT-5E         1650         110         120         -         2         38         48         38         -
		For settlement Mar 20 Goodman Grp, PE Int, Silentnight	$\begin{array}{c ccccccccccccccccccccccccccccccccccc$
		BET, Lowho, Blue Arrow, Eleen-	Pilkinskin 180 18 23 4 414 4 9 900000 13. Total Contracts 32.157 Calls 17.721 Pats 14,436
	Appening lades 1740.02 10 am 17 tat yield. Highs and low record, base dates, values and constituent changes are published in Saturday issues. A new	For rate indications see and of ick, Redland, Uid Blac Warnts,	
	alignming index 1746. Or 10 am 1754. Highs and lows record, have dates, values and constituent changes are published in Saturday issues. A new (a) 10.56 am (b) 9.00 am 1 Flat yield. Highs and lows record, have dates, values and constituents is available from the Publishers. The Financial Times, Bracken House, Cannon Street, London EC4P 48Y, price 15p, by post 34p. list of constituents is available from the Publishers. The Financial Times, Bracken House, Cannon Street, London EC4P 48Y, price 15p, by post 34p.	London Share Service Eagle Trat, G. Wimpey. P/C Inoco. ]	600         5         9         16         73         78         80         December 13. Total Contracts 32,157 Calls 17,721 Pets 14,436           Pitkiegen         180         18         23         -         4 <sup>1</sup> / <sub>2</sub> 6         -         FT-SE index Calls 2359 Pets 5669         FT-SE index Calls 2359 Pets 5669           (*191 i         200         8         12         14         15         16         19         *Underlying secarity price.
	Afgening Index 1746.0; 10 am 1754.6; 11 am 1753.4; Nooe 1739.6; 1 pm 1756.0; 2 pm 1750.8; 3 pm 1748.0; 4 pm 1752.1; 4.05 pm 1752.1 afgening Index 1746.0; 10 am 1754.6; 11 am 1753.4; Nooe 1739.6; 1 pm 1750.8; 3 pm 1748.0; 4 pm 1752.1; 4.05 pm 1752.1 (a) 10.5bam (b) 9.00am t Flat yield. Highs and lows record, have dates, values and constituent changes are published in Saturday issues. A new (a) 10.5bam (b) 9.00am t Flat yield. Highs and lows record, have dates, values and constituents changes are published in Saturday issues. A new (a) 10.5bam (b) 9.00am t Flat yield. Highs and lows record, have dates, values and constituents is available from the Publishers, The Financial Times, Bracken House, Caunon Street, London EC4P 4BY, price 15p, by post 34p. [ist of constituents is available from the Publishers, The Financial Times, Bracken House, Caunon Street, London EC4P 4BY, price 15p, by post 34p.	For rate indications see and of London Share Service Eagle Trat, G. Winspey. P/C insoc.	(*191 i { 200   8 { 12   14   15   16   19 *Underlying security price.
	aOpening Index 1740.0: 10 am 1753-55 Editions record, base dates, values and constituent changes are published in Saturday issues. A new (a) 10.56 am (b) 9.00 am 1753 yield. Highs and lows record, base dates, values and constituents changes are published in Saturday issues. A new (a) 10.56 am (b) 9.00 am 1753 yield. Highs and lows record, base dates, values and constituents is available from the Publishers, The Financial Times, Bracien House, Cannon Street, London EC4P 48Y, price 159, by post 34p. list of constituents is available from the Publishers, The Financial Times, Bracien House, Cannon Street, London EC4P 48Y, price 159, by post 34p.	London Share Service Eagle Trat, G. Wimpey. P/C Inoco. ]	(*191 i { 200   8   12   14   15 <sup>7</sup>   16   19 *Underlying security price.

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#### **UK COMPANY NEWS**

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Shop attack

THE TAKEOVER Panel has asked Peel Holdings, which is bidding £282m for its fellow

property company London Shop, to withdraw certain comparisons used in an attack

Peel's offer document used market indicators published

by Hillier Parker to conclude that London Shop's rental income and net asset value

showed below-average growth.

London Shop argued that those indicators were inappro-

those indicators were inappro-priate due to its five yearly rent review pattern. This move follows the Pan-el's request that London Shop should clarify its statement that it was the only property company with three quarters of its portfolio invested in the retail sector. London Shop add the statement only referred to company with a warter end

companies with a market capi-talisation of over £100m.

**Border TV up** 

By Vanessa Houlder

on its target's record.

#### Gateway in 23% interim rise to £78m Peel asked to withdraw

#### By Christopher Parkes, Consumer Industries Editor

largest and most harassed food retailer, yesterday reported a 23 per cent rise in interim pretax profits from £63.6m to

178m. Sales for the half year were down fiftim at £2.46hn, follow-ing the disposal of Linfood in the UK and Digse in Spain, but turnover from the continuing operations, all of which are now retailing, increased 5 per cent to £2.2bn (£2.09hn). Retail trading profits

Retail trading profits increased 28 per cent from 266.3m to £84.6m, and trading margins at the Gateway food chain picked up from 3.74 per cent to 4.37 per cent on likefor-like sales growth of 3.1 per cent

However, there are indica-

#### GATEWAY, Britain's third tions of slowing volume growth in the second half. Although Christmas may help, Gateway has yet to build itself a consumer franchise of the breadth and quality enjoyed by the other majors

A better sales mix, with more high-margin fresh, frozen and chilled products on offer, helped improve performance in the superstores, but the 500-plus standard food markets have yet to benefit to the same exten

Mr Alan Perelman, finance director, said the group was on target with both physical and profits development. Mr Alac Monk, chairman,

said at the time of the acquisi-tion of Fine Fare in June 1966 that it would take three years

that the original forecast of

pre-tax profits of £78.5m for the full year will be exceeded.

Profit after tax was £21.7m

**Vodafone helps Racal** 

**Telecom treble profits** 

#### to reshape the business. Apart from fighting off a bidi from Barker & Dobson in the

average growth of 2 per cent.

Turnover rose 14 per cent to

\$320m.

New store openings accounted for most of the turnover growth, and the board said yes-terday that the loss reflected interim, the group has recently had severe management diff-culties. However, the appoint-ment of Mr Louis Sherwood, president of the A&P US superthe number of immature outlets and costs of heavy promo-Wellworth, the Northern Ireland food business, per-formed well, with trading profmarket chain, to run Gateway, is seen as a positive coup. The appointment takes official

its up 50 per cent at £7.2m, on effect today. Hermans, the US sporting goods chain, lost 28m in the first half, despite having resolved its distribution diffisales of £85.7m, up 15 per cent. Group pre-tax profits of included property profits of £800,000 compared with £300,000. Interest charges rose culties and increasing like-forfrom £7.2m to £8.9m. like sales by 5 per cent in an overall retail market showing

Earnings per share rose 1p to 6.2p, and the interim dividend was increased by 17 per cent to 3.5p (3p). See Lex

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The peak sales period for ski

#### Option allowed to lapse on 7.8% of Mountleigh

#### By Paul Cheeseright, Property Correspondent

THE PROSPECT of a further Earl would not explain yester-

THE PROSPECT of a further unsettled period for shares in Mountleigh, property trading and development group, emerged yesterday when it was disclosed that an option to buy 78 per cent of the equity had been allowed to lapse. The option had been given by Newcombe Investments to Galerias Consortium. New-combe Investments was set up by Organizacion Diego Cisne-ros to hold a block of 16.66m Mountleigh shares provided as part of the payment when Mountleigh bought Galerias part of the Spanish depart-ment store chain, from ODC in late 1987.

nary shares and 1.6m deferred Galerias Consortium was established by SASEA Holding Group of Geneva and Tranconvertible non-voting shares. The shares passed to Capital Development, a Swiss investwood Barl, London merchant ment company and biggest bank, to bid for Mountleigh International, the most signifimember of the consortium put together four years ago to buy Wembley. Capital Development subse-quently sold on 2.7m Wembley

cant asset of which is the Spanish stores chain. It retains 18.9 per cent stake of Mounordinary shares, leaving it with 14.3 per cent in ordinaries

tleigh. The option was arranged last month. The failure to exercise it, for reasons which Tranwood

DIVIDENDS ANNOUNCED Total Total Corres ponding for dividend year Date of Current payment payment year Feb 8 · 2.7 0.75 1.5 deen Bleak 5 ... 6.25 4.9 nil Atten Hu 1.5 . . 14.55 13 1.7 8.75. 7.5 0.65 Border § .....

shares.

and 30.3 per cent in non-voting

### Granada turns in 29% expansion to £143.2m

in an analysis a specific provide

28

GRANADA, the TV, leisure and business services group, yesterday announced a 29 per cent rise in pre-tax profits to £143.2m for the year to October 1. Sales were £1.47bn.

The figures, in line with City expectations, compared with the £111m made in 1986-87 on sales of £1.02bn, but took in a nine-month contribution from the Electronic Rentals busi-nesses acquired for £250m, and four months from DPCE, the

tour months from DPCE, the computer services company, bought for £110m. Granada declined to break out the net effect of these acquisitions, saying that both had now been fully integrated. However, at the earnings per share level, after a reduction in the tax charge from 38 to 36

the tax charge from 38 to 36 per cent, the fully-diluted figure was up by 11 per cent, from 25.3p to 28.1p. The total divi-dend is raised 14 per cent to 11.2p, with a final of 7.2p. The pre-tax figure also came

after interest charges of £25.3m (£11.9m), reflecting increased debt levels following the acqmsitions. By the year-end, Gran-ada said that gearing was 63

Yesterday, however, Granfrom 4-5 per cent to only perada announced that property company, Barranquilla Invest-ments, in which it had a 67.75 haps 2 per cent - and prospects on both fronts were enhanced by new goods comments, in which it had a 67.75 per cent interest, with the Pearl holding a further 25 per cent, was likely to be sold. Granada had already bought out the two properties it uses - in London's Golden Square and the Granada TV studios -from Barranquilla for an undis-closed figure, beliaved to be ing on stream. On the TV side, profits were up from £20.8m to f30m, with industry advertising revenue up by 11 per cent and Granada claiming a small increase in market share. Staffing was market share. Staffing was reduced by some 13 per cent over the year. On the leisure closed figure, believed to be

per cent (23 per cent), with Granada estimated that the interest cover of 6.7 times. annual rate of decline dropped

while declining to speculate on the amount which the sale might raise, Granada said that remaining properties within Barranquilla have a "conserva-

tive" book value of £104m. In operating profit terms, Granada's 1966 figure was up 37 per cent to £170.5m. The largest of its four divisions is rental and retail, where pre-in-terest profits advanced from 50 lm to 50% for below by £62.1m to £87.8m, helped by ERG. Granada conceded that the retail market remained highly competitive. However, the rental market was stronger than expected –

front, operating profits rose 21 per cent to £30.4m. This included a strong performance from the motorway business -the number of lodges was now planned to double by end 1989 and the number of service areas to increase by 50 per cent - but saw problems for cartain specialist holiday interests. Business services contributed in £13.8m (£7.8m). Below the line, there was an

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extraordinary film surplus -the profits on the sale of Novello and Canal Plus, offset by the loss on the Superchannel disposal.

See Lex

### Postal dispute setback for Fine Art

#### By Clare Pearson

FINE ART Developments, gifts concern, yesterday became the latest company to announce it had fallen victim to Septem-ber's postal strike as it unveiled interim pre-tax profits

£657,000 lower at £2.79m. Mr Keith Chapman, chair-man, said the dispute had virmail order side, which has annual turnover of about filom, during the last month of the reporting period. Profits for the six months to end September were also affected by higher interest charges. The hiccough has not dis-

#### **Creighton Labs**

Creighton Laboratories, USM-quoted natural beauty products manufacturer, advanced pre-tax profits from £341,000 to £746,000 in the six months to eud-September, Turnover £4.51m (£2.67m). The June the company forecast interim dividend 1.6p (1.4p).

couraged the company from embarking on an expansion of its mail order business through a joint venture, unveiled yes-terday, with Otto Versand of Hambu Fine Art is hoping to become a major force in mainstream

home shopping through the scheme, which is to set up a scheme, which is to set up a new 40 per cent owned com-pany to channel a wide range of products through its exist-ing network. As part of the arrangement Fine Art has issued 3.7m new shares to Otto Versand for cash, at 216p each. On the postal strike, Fine

Eurocopy, supplier of photocopy and facsimile equip-

ment reported annual profits

before tax and exceptional

items up 32 per cent from £2.57m to £3.41m. At the time

of its stock market launch in

Art said delay of orders in many case meant they were lost. Additionally, it believed many customers had not made use of the telephone ordering system because they assumed the company would not be able to deliver, even though it actually had arrangements outside the postal system in

Eurocopy advances 32% to £3.4m

£1.71m.

ings, after tax of £184,000 (£146,000) worked through at 2.97p (2.55p) per 10p share. Directors said that while a revision of network arrange-ments had meant increased But increased sales in other areas, especially greetings cards, meant group sales rose costs they were confident of to 582.71m (£75.48m). Earnings per share were 2.51p (3.03p). The interim diviyear. dend is set at 2p (1.8p).

profits of at least £3.2m. Excep-tional debits last time were

Turnover in the year to Sep-tember 30 advanced to £11.51m

(18.85m). The dividend is 0.8p

for the year on earnings per 5p

share of 6.22p (1.41p).

Aberdeen Steak

Aberdeen Steak Houses Group, USM-quoted restaurant com-USM-quotes restaurant com-pany, reported pre-tax profits of £402,000 (£177,000) on turn-over of £5.75m (£5.05m) for the six months to June 30. An interim dividend of 0.75p (nil) is to be paid on earnings per share of 1.3p (0.7p).

L)

to treble pre-tax profits to £30.6m in the 28 weeks to Octo-(£11m), giving earnings per share of 2.17p (0.7p). The com-pany reiterated its intention to pay a final dividend of 0.7p. ber 14 against a previous £10.1m. Turnover grew 85 per 20% to £0.49m cent to £119m. These were the first results For the half year ended October 31 Border Television, reported by Racal Telecom, since its parent, Racal Elec-tronics, sold 20 per cent of its shareholding in an offer-for-sale in October. However, none of the profit will accrue to Racal Telecom's new share-holder house there did act USM-quoted TV programme contractor based in Carlisle, achieved a 30% rise in pre-tax profits from £404,000 to £485,000.

ACCELERATING growth in

the number of cellular sub-scribers enabled Racal Telecom

By Hugo Dixon

Turnover was £6.46m (£6m) Turnover was 55.46m (f8m) with advertising ahead 8.3 per cent to 55.03m and programme sales 5.2 per cent ap at £1.19m. The interim dividend is raised to 0.89 (0.65p). Earn-

holders, because they did not own it during the period. The company said that per-formance for the half year was slightly shead of projections made at the time of the flotation. This would seem to imply

Midway boost

satisfactory results for the Reflecting high quality developments and a healthy increase in rental income, Ford Sellar Morris Properties turned in a profit of £5.84m in the half

year ended October 31 1988. In the 15 months ended April In the 15 months ended April 30 1988, the USM-quoted com-pany made £3.5m on turnover of £16.85m. Earnings were 10.49p (8.42p) and the interim dividend is 1.5p (1p). There was also an extraordi-nary profit of £2.8m, mainly on the sale of the Review Mens-man burness. Turnover men-

weer business. Turnover was

Racal Telecom refused to give any break-down of the profit between its constituent companies, except to say that

#### Insider trading in Gold Fields 'not proved'

the bulk was accounted for by Vodafone, its cellular operator. Vodafone is increasing its sub-scribers by 3,000 a week and customers are continuing to spend more money on valne-added services. late 1987. Racal Telecom's share price closed up 2.5p at 161.5p, 8.5p below the flotation price.

the shares of Consolidated Gold Fields ahead of the take-over hid by Minorco. However the exchange has turned over returns from brokers to the Pacificar of Commission

for Ford Sellar

The Johannesburg Stock Exchange says it can find no evidence of insider trading in

Registrar of Companies as insider trading, defined fairly narrowhy, is illegal in terms of South Africa's Companies Act but does not fall under the jurisdiction of the JSE.

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INTERIM RESULTS (unaudited)	28 weeks to 12/11/58 £ million	28 weeks to 7/11/87 £ million
Turnover (excluding VAT) Continuing activities	2,204.0	2.092.6
Discontinued activities	251.1	523.2
	2,455.1	2,615.8
Trading profit		
Continuing activities Discontinued activities	84.6 2.3	66.3 4.5
	86.9	70.8
Interest payable	(8.9)	(7.2)
Pre-tax profit	78.0	63.6
Taxation	(23.0)	(17.9)
Profit after tax	. 55.0	45.7
Extraordinary items	66.5	_
Profit for the period	121.5	45.7
Dividend per share	3.5p	3.0p
Earnings per share	6.2p	5.2p

#### HIGHLIGHTS

▲ Profits before tax increased by 22.6% from £63.6 million to £78.0 million including property profits of £0.8 million (1987 : £0.3 million).

A Trading profits from retailing activities that are now the sole continuing activities of the Group increased by 27.6% from £56.3 million to £84.6 million.

▲ Trading margins at Gateway improved strongly from 3.74% to 4.37% on like for like sales growth of 3.1%, and from 6.45% to 8.40% on like for like sales growth of 8.5% at Wellworth.

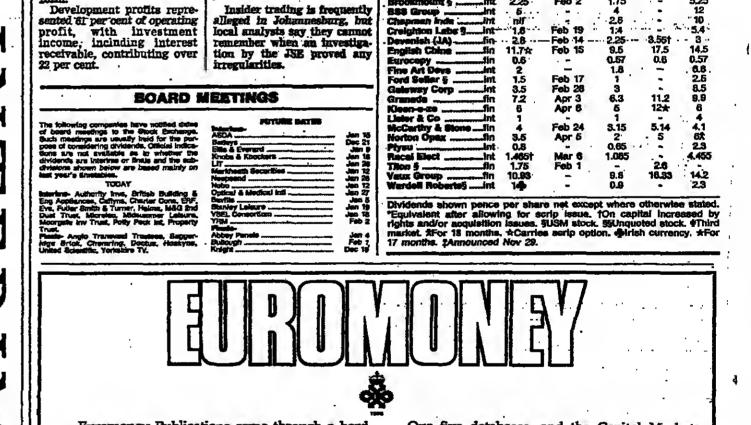
▲ Earnings per share increased by 19.2% from 5.2p to 6.2p per share after a slightly higher tax charge.

▲ Interim dividend increased by 16.7% from 3.0p to 3.5p per share.

#### Mr Alec Monk, Chairman and Chief Executive, said:

"Strong margins have more than offset the low like for like growth in sales which has affected the major UK food retailers. The substantial restructuring of Gateway Foodmarkets continues apace and the refurbishment of the Fine Fare stores is expected to be completed within the original timetable. The Group is now concentrated on retailing where it has a leading position in each of its major markets. We expect a stronger second half as a result of the normal seasonal factors benefiting all our businesses."

> Coties of the full Interim Statement may be obtained from The Sec my Corporation PLC, Silbary Court, 418 Silbary Boulevard, Milton Keynes MES 2NS.



Archi

Euromoney Publications came through a hard year in international markets with turnover, profits and dividends the best yet.

The reputation and profits of Euromoney, our flagship magazine, have never been higher. Our 10 specialist magazines prospered.

The book business published 24 titles and directories. Its success in a difficult year was most creditable. We held 10 major conferences and 41 seminars

around the world. This division enjoyed a record year with profits substantially higher than the year look for acquisitions. Our staff has done well in before.

Our five databases, and the Capital Markets Guide, combined to make record profits. We are preparing new databases.

The Euromoney Institute of Finance, our education business, held 14 training programmes

worldwide and plans 30 programmes this year. In September, we launched LatinFinance, a new magazine; to cover Latin America, particularly the newer market in debt and debt/equity swaps. It has made an encouraging start.

We have £16 million in cash and continue to testing times and we hope for another good year.

	The Year's Highlights	
Turnover	£28.4 million	up 9%
<b>Operating Profit</b>	£5,286,263	up 7%
Profits before tax	£6,654,758	up 2%
Earnings	21.4p a share	up 0.7p
Total Dividends	14p a share	up 0.25p

The above figures have been extracted from the audited consolidated accounts of Buromoney Publications PLC for the year ended 30th September 1988, on which the auditors have issued an unqualified audit opinion. The full report and accounts will be filed with the Registrar of Companies in due course and can be obtained from the Company Secretary, Paul Hewitt, Nestor House, Playhouse Yard, London EC4V 5EX.

The contents of this advertisement, for which the Directors of Buromoney Publications PLC are solely responsible, have been approved for the purposes of Section 57 of the Financial Services Act 1986 by Ernst & Whinney, a firm authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business. The rules of the Securities and Investment Board require a statement that past performance is not necessarily a guide to the future.

**EUROMONEY PUBLICATIONS PLC** 



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THOMSON T-LINE is expecting a counter offer to the £165m bid made on Monday by Ladbroke Group, the hotels, property, betting and retail

and the second second

FINANCIAL TIMES WEDNESDAY DECEMBER 14 1988

concern Mr Hugo Bisemann, Thom-son T-Line's joint chairman, said the company had yester-day been in "regular contact" with a potential bidder, but declined to disclose the iden-

The industrial holding com-pany, whose principal asset and attraction is the Vernons football pools group, yesterday rejected the Ladbroks offer of 80p cash a share with a loan note alternative. The board said the offer was.

unwelcome" and that it did.

The second potential hidder is expected to make an offer by the end of the week, according to Mr Biermann,

Shares of Thomson T-line have been under severe pres-sure since the announcement early last month of an agreed hid for Suter, the industrial

holding company headed by Mr David Abell. The stock market pulled Thomson T-Line shares to a low for the year late last week as concern grew about the £100m convertible preference share issue which would par-

bid approach not reflect the substantial botential of Vernons pools. But yesterday it was clearly Shareholders were advised to take no action. poshed the shares well passed By Clay Harris SHARES IN Inoco yesterday rose 4p to 40p, a post-crash high, after the oll company the Ladbroke bid to close up 13p at 90p. Suter shares have also suf-fered amid the uncertainty and

**UK COMPANY NEWS** 

closed yesterday down 11p to 187p. Mr Cyril Stein, chairman and managing director of Ladbroke, has announced the intention to dispose of most of Thomson T-Line's other interts and draw Vernons into its

betting operations. Vernons is the second big-gest UK pools operator with a 21 per cent slice of the market, compared with Littlewood's 77 per cent sh

Inoco was originally created

#### **Telfos takes 19% of Hicking** By Flong Thompson

Telfos Holdings, the diversified engineering group, has acquired a 18.96 per cent stake in Hicking Pentecost, the Not-tingham-based knitwear manufacturer and dyer.

Mr Jo Malins, chief executive of Telfos, yesterday said the Hicking stake was an extremely good investment, but refused to rule out the pos-sibility of a bid.

HOTELS

THISTLE

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**★** Strength in brands. Significant growth particularly in the lager market with McEwans Lager and Becks Bier.

\*

**★** Strength in brewing. Scottish & Newcastle has been described as the most efficient brewer & packager of beer. Over the last 5 years we have improved operating margins from 10.7% to 14.5%.

\* Strength in hotels. Another good performance from Thistle Hotels with operating profits up 46% per annum compound over the last 5 financial years.

**★ Strength from acquisitions.** A strong contribution from Home Brewery. Matthew Brown integration on course and Pontins showing great earnings potential.

Scottish & Newcastle is a company with strength all round. All



- Vaux Group pre-tax profits up 21% to £26.2m.
- Final dividend increased by 15% to 10.3p.
- Our two hotels at Waltham Abbeyand Peterborough have been completed on time and within budget. In 1989 we shall start development on a further 2 new hotels at Birmingham and Bristol.
- We are now operating 5 new nursing homes and are building 4 more - we believe this will be an area for further major expansion.
- The brewing division launched a new low alcohol beer - Maxim Light. We have strengthened our lager brands by introducing Labatts alongside Tuborg A new brewhouse has been installed.

Copies of the Report and Accounts will be available after 13th December 1988 from The Secretary Vaux Group plc. The Brewery Sunderland SR1 3AN.

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### VAUX GROUP plc.





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**YOUNGER'S** 



Chelsfield in £12.5m deal By Nikki Talt CHELSFIELD, the private property company headed by Mr Elliott Bernerd, is buying

land.

out the 40 per cent equity interest held by Benlox Holdings in Wentworth Group -the joint venture vehicle which owns the Wentworth Golf Chb in Virginia Water - for

Benlox invested £2.5m for its 40 per cent interest in Septem-ber. Chelsfield subscribed for the remaining 60 per cent, and also for £17.75m of unsecured

redeemable loan notes. Wen-tworth was bought by the two companies from AMEC, the construction group, for £17.7m, plus £500,000 for an option over a further 55 acres of additional

land. Yesterday, Benlor – origi-nally a small construction and industrial company which sprang to fame through an abortive "demerger" bid for the Storehouse retail group last year – announced that prop-erty specialist Mr Paul Bloom-

### ANI's £138m bid wins support of Aurora board

#### By Ray Bashford

AURORA, yesterday recommended acceptance of the takeover bid from Austra-lian National Industries which values the Sheffleld-based engi-

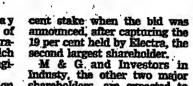
The Amora board's decision following the announcement by ANL, Australia's biggest engineering company, to declare its offer unconditional

after pushing its holding to 59.4 per cent. ANI knuched its 148.5p cash per share offer with a loan note alternative early last month. It was rejected by Anrora on the grounds that it did not reflect the company's present or future worth.

Amora was left with hitle room to play with in its defence as ANI held a 42 per.

ANI said the acquisition would form a springboard for expansion in Britain and continental Europe to help over-come the innis to growth pres-ent in the relatively small Anstralian market

**Banner** increases stake in Avdel to over 43% By Nikki Tait



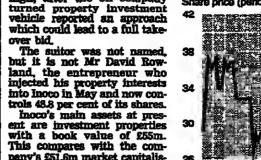
industry, the other two major shareholders, are expected to accept the offer for the shares which collectively represent some 22 per cent of the capital. The institutions are holding handsome profits on their investments as they acquired the shares for 10p when the company was reconstruction in company was reconstruction in 1963.



EXPOR

field, who has been associated with Mountleigh in recent years, has been appointed a non-executive director. He will be be acting as a consultant. Mr Charles Chevasco is also joining from Bovis Interna-tional as an executive director.

Benlox has seen a number of board changes since the Store-



**Inoco shares rise to** 

40p on reports of

pany's 251.6m market capitalis-ation at yesterday's closing price. It has net debt of about 213m. 1988

INOCO

Share price (pence)

Petranol in 1986, and subse-quently sold oil interests apart from equity investments. All it retains now in that sec-

tor is 1m shares in Firstland Oil and Gas, an investment worth about £200,000.

#### to take over a US company owning oil and gas interests in Colombia and the US. It withdrew a £12m all-paper bid for

unwanted bidder, Banner Industries, announced that it had acquired a further 50,000 On Monday, Banner raised 

WITH THE fate of UK tances in respect of just over 4 fasteners group, Avdel, still banging in the balance, its was in addition to the shares it

shares taking its direct interest its hostile offer from 80p a in Avdel to 43.17 per cent. Avdel, however, said that market raid. However, this was shares taking its direct interest its hostile offer from 80p a in Avdel to 43.17 per cent. Avdel, however, said that Friends Provident, the UK life office, had withdrawn its bid acceptance in respect of 1.75m 10 per cent cumulative redeem-able preference shares. These shares represent 1.32 per cent of the votes. At the last closing date, Banner claimed accept in off Avdel's announcement.

### **Melton Medes lifts stake** in Syphon to over 22%

#### By Clare Pearson

MELTON Medes, the private industrial group headed by Mr Nathu Ram Puri, has pushed its stake in British Syphon Industries to over 22 per cent, partly by buying the holding of Mr Michael Kent, head of Olives Paper Mill. Both Mr Puri and Mr Kent have opposed the manage-ment's £49.9m offer for Syphon, announced at the end of last

### George Wimpey moves into US quarrying

#### GEORGE WIMPEY, construction and housebuild-ing group, has taken its first significant step into the US quarrying business with the SSUM accurisition of the Grance \$50m acquisition of the Orange Quarry Company and its main operating subsidiary, Triland. County Asphalt Corporation.

to a small presence in Mary-

### MAI buys Spanish stake

#### By David Lascelles

MAI, UK financial services and media group, has bought a 30 per cent stake in Spain's larg-est money and securities bro-ker. Corretaje e Informacion

media group, has bought a 30 per cent stake in Spain's larg-est money and securities bro-ker. Corretaje e Informacion Monetaria y de Divisas. The cost is £3.65m, which its profits. The Spanish group was The Spanish group was founded in 1984 and has 75



HOME

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#### of our operations, we can proudly state, are moving forward....

# FROM STRENGTH TO STRENGTH.

### **Financial Highlights**

	26 weeks to 30.10.88	26 weeks to 1.11.87	Year on Yea increase
Turnover (£m)	510.2	429.3	19%
<b>Operating Profit (£m)</b>	80.8	62.8	29%
Pre-tax Profit (£m)	72.0	57.3	26%
Earnings per share	12.9p	11.4p	13%
Dividend per share	3.1p	2.7p	15%

### Pre-tax Profit up by 26%

Interim Dividend up by 15%



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**SCOTTISH & NEWCASTLE BREWERIES plc** 

#### **UK COMPANY NEWS**

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### ECC shows 30% growth to £145m Shaftesbury

#### By Clare Pearson

ENGLISH CHINA Clays, industrial minerals and construction group, yesterday reported a 30 per cect increase in pre-tax profits to £145.4m in the year to September 30. Sir Alan Dalton, speaking for the last time as chairman, said:

"Our markets were lively in practically all departments, and the divisions are currently all in good heart." Sir Alan is stepping down as chairman to be succeeded by Lord Chilver. The pre-tax rise came on turnover up from £782.5m to £936.9m. The use of average, rather than year end, exchange rates benefited profits by about £600,000. A change in account-ing for depreciation increased this charge by £3.3m.

On earnings per share 26 per cent higher at 43.82p (34.83p), the final dividend is raised to 11.7p, making 23.2p (16p) for the year

In the international division, comprising china clays, cal-clum carbonates and other industrial minerals, sales were

Plysu aims for

rise to £3.65m

begin to ease over the next few

Chapman falls

Pressure on margins and

strong price competition resulted in a sharp downturn into losses at Chapman Indus-

tries, envelope manufacturer,

in the six months to October 1. On turnover of £18.96m

(£17.89m), the group reported a

pre-tax deficit of £278,000

into the red

months.

year.

boosted by demand from the lightweight coated sector of the paper indusiry. Profits rose to £81.9m (£69.3m) on turnover of £488.2m (£421 im). In June, ECC added to its US calcium carbooate interests with the £40m purchase of that division of Cyprus Minerals. On turnover of £81.2m

(262.6m), construction contributed profits of £37.9m (£16.3m) with the stake in Bryant Group, housebuilder, account-ing for £14.7m (£3.6m). Quarries put in £41.4m (£32.4m), with J L Shiely, US construction aggregates concern bought in January, providing fim; turnover was £320m (£242.3m).

Mainly due to troubles in the ofl sector, but not helped by Hurricane Gilbert, the drilling fluids division moved into loss to the tune of £100,000, against profit of £1.3m. This was pite an increase in turnover

to £47.5m (£36.5m). The net interest charge rose to £10.8m (£5.8m), reflecting an

**English China Clays** Share price relative to the FT-A All-share index 130-

AL AL 120 110 i<del>nte</del> printerate de la c 90 1987 1988 1986

about the dollar, meant the rise of 4.5 per cent came rather later than usual. Quarrying increase in gearing from 16 to 38 per cent at the period-end. Investment in expension and will also enjoy capacity increases, although Shiely, increases, although Shiely, which disappointed last year, is an imponderable factor. Despite Sir Ron Brierley'a 5 per cent stake, bid speculation has faded away recently. On trad-ing grounds, a prospective ple comfortably under 9 looks per-fectly reasonable. modernisation rose to £100m. from £75m in 1987, whilst some 186m was spent on

#### COMMENT

acquisitions.

Another set of pleasing results from ECC; and it looks as if a

#### Oakwood raising £9m through sales

own housebuilding is experien-cing a margin squeeze. But with demand for clay for pro-duction of various kinds of fine

paper remaining strong, ECC will be further benefiting from

capacity increases and should

be niftler about introducing price increases: besitation last year, because of concerns

Oakwood Group, which has interests in electrical engineer-ing and textiles, is taising £9m through the sale of non-core assets. The money will be used to develop its strategy of creat-

to a management-led consor-tium for £8m cash. The sale of the Harold Ingram knitwear factory, following the alreadyannounced closure of the con-tract knitwear business, will

raise a further film.

prise Ingram Dye Wocks and units producing fabrics under the names of Hall & Earl Fab-

were £10.4m.

December 29.

ELOSUA, S.A.

acquisition lifts assets thoroughly decent year, with pre-tax profits showing around a 15 per cent rise, lies ahead. Clearly, last year's exceptional strength in construction is unlikely to be repeated: this has aheady been foreshadowed by Bryant while ECC says its own househulding is experien-

### by 50%

By Paul Cheeseright, Property Correspondent

SHAFTESBURY, the property company which obtained a listing just before the coulty market crash of October 1987, is financing an acquisition, which increases its net assets by more than 50 per cent,

through a share placing. It is buying Celus Properties (1964), a family company owning four properties north of Oxford Street in central London, for £18.85m.

Over £17m of the purchase price will be met by the sale of 9.64m shares at 180p each, a 5p discount on the market price just before the announce-ment. The shares have been placed with institutions. Existing shareholders were given the right to subscribe on the

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basis of one new shart for every 1.52234S shares held. But 75 per cent of Shaftes-bury's equity is held by the Levy family which will not take multiple intitlement. The take up its entitlement. The effect is to reduce the family's stake to just over 50 per cent.

At the end of the year to September 1988 Shaftesbury had pro forma net assets of £32m. Mr Jonathan Lane, man-aging director, said adjusted net assets now came to SSBM. net assets now came to £50m.

The acquisition represents a significant increase in Shaftes-bury's central London portfolio. Two properties, a single-tenanted and a multi-tenanted office building, each of more folio for investment and is seeking further growth as an investment and asset management company, as opposed, to being a property develop and trading company. nent

Anchor Trade

Anchor Trade Finance (UK) and Anchor Trade Finance (1967) (UK) have asked us to point out that they have no connection with a company called Anchor Confirming and Finance, the purchase of which by Harvey & Thompson was reported in yesterday's edition.

from £2.03m to £4.08m in the year ended September 30 1988. The final dividend is 4.9p, for a total of 6.25p. Mr David Crossland, chair-

lished pattern of steady growth, and was a vindication of the policy of expanding its market through the develop-ment of profitable niches on the firm foundations of the

The company was floated on the market in March 1987, but

#### Eastbourne Water tender offer

against profits of £617,000 in the corresponding period last Eastbourne Water Company yesterday offered for sale by tender £6m of 7 per cent mum of £10,000 nominal stock. Losses per 50p. share

Mr Michael Wernicke has resigned as a director and Mr David Cramer and Mr Douglas

margin, blaming the air traffic controllers' strikes, terrorism in Tunisia, and over-capacity

ter season were already ahead of the total achieved last year. and bookings for the enlarged summer programme were showing a substantial increase,

Earnings for 1987-88 came to 17.43p (8.55p). Last year the company paid a dividend of 2.7p, but if listed for a full year would have distributed 5.4p.

Law Life Assurance Society. Tenders must be for a mini-

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ACATOS & HUTCHESON plo

Barnings for the period came to 5.9p (4.88p) and the interim dividend is 0.8p (0.65p). The directors said the foundations being laid for a significant expansion of the group led them to view the future with

confidence. They noted the continuing problem with the supply of high density polyeth-ylene because of the world shortage, but said that could

expansion after STEWART & WIGHT, property investor, achieved pre-tax prof-its of £82,291 in the six months Plysu, maker of plastic to end March against a previcontainers and housewares, lifted turnover from £24.35m to ODS £44.812 Gross rental income totalled £79,154 (\$68,873) and other income £10,341 (£761). Deprecia-

228.59m and pre-tax profit from £3.25m to £3.65m in the 28 tion fell from £1,030 to £745. weeks ended October 8 1988.

man, said the results demon-strated a return to the estab-

core business.

Stewart Wight doubled

67.29p (36.9p). There was an extraordinary £222,100 (£57,961) credit, being profits on the sale of an area of land at Fleet, Hampshire.

Tax took £29,400 (£15,700) leav-ing earnings per £1 share of the board.

Airtours surges to £4m

AIRTOURS, package tour in its first public year missed operator, doubled its profit the profit forecast by a large

in the tours industry. Bookings for the 1985-89 win-

Mr Crossland said.

The moves would allow the closure of the CoxMoore divisional head office in Leicester,

head savings, Oakwood said. The fabric operations com-

rics. Hoyle Butterworth and Bell Woven Fabrics. In the 13 months to April 30 they reported pre-tax profits of £315,000 on turnover of £21.6m. Net assets at the period end

ing a broadly-based group. The fabric operations of the CoxMoore Group are being sold

An egm has been called for

resulting in significant over-

### BAILEY / SHATKIN

have changed their name

to



International House, 1 St. Katharine's Way, London E1 9UN. Tel: 01-481 1712. Fax: 01-488 4791. Thx: 886583 LIT EUR G.

### **EUROMONEY PUBLICATIONS PLC**

Notice is hereby given that the annual general meeting of the company will be held in the Board Room, New Carmelite House, Carmelite Street, London EC4 on Wednesday 11th January 1989 at 11 a.m. for the following purposes:

- To receive reports of the directors and the auditors and the accounts for the 1. year ended 30th September 1988.
- To approve a final dividend for the year ended 30th September 1988 of 9p on 2. each of the ordinary shares of 1p each then in issue.
- To re-elect C J F Sinclair as a director. 3.
- To re-appoint Ernst & Whinney as auditors of the company and to authorise 4. the directors to fix their remuneration.

By order of the board

P Hewitt

30

Banca Catalana

**Banco Central** 

Banco de Fomento, S.A.

Barclays Bank, S.A.E.

Fibanc Inversiones, S.A.

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Tender Panel Agent

The Chase Manhattan Bank, N.A. Sucursal on España-

Secretary

9th December 1988

#### Notes

- Holders of international depositary receipts (IDRs) in respect of ordinary shares in the 1. company may give directions in writing as to the voting of such ordinary shares on application to Banque Internationale a Luxembourg SA (BIL) of 2 Boulevard Royal 2953, Luxembourg, attention Securities Department, and by depositing their IDRs with BIL or any of the agents mentioned on the IDRs. Such instructions must be received by BIL and such deposits must be made not later than 11 a.m. on Wednesday, 4th January 1989.
- It is proposed to pay the final dividend, if approved, on 13th January 1989 to shareholders registered on 9th December 1988. 2.
- Holders of IDRs can receive their dividend, if approved, from 13th January 1989, by 3. presentation of coupon number 3 to BIL or one of the agents.

amounted to 6.4p (earnings of 9.1p) and the interim dividend is omitted (2.6p).

redeemable preference stock, 1991-93. The issue has been fully underwritten by Equity &

The stock carries n rights, in common with all the existing preference stocks.

### Alfa joins R-R engine project

#### By Lynton McLain

ALFA ROMEO Avio has taken a 6.4 per cent stake in a Rolls-Royce project to replace the engines of older airliners in a market worth an estimated 2 marate worth an competition £8bn. R-R is in competition with Pratt & Whitney, the US acro engine manufacturer, for a share of the replacement market Alfa Romeo is a subsidiary of Aeritalia, the Italian stateowned aerospace company and will make the engine combus-

Rolls-Royce, the UK aero-en-gine manufacturer, launched its Tay 670 aero engine project for older airliners at the Farnborough air show in Septem-ber. It signed a memorandum of understanding with the Ana-corp group of the US to re-en-gine McDonnell Douglas DC-9 schliners, which are up to 22 years old and will have to be grounded unless they can be made to meet new noise regu-

lations. Rolls-Royce is already involved with Aeritalia in the tor and high pressure system parts of the Tay 670 engine.

re-engining programme. Acri-talla is an equity sharing part-ner in the Dee Howard company of the US, which is developing a lightweight engine housing and thrust reverser for the BAC 1-11 airliner Tay re-engining programme.

The R-R Tay engine, due to enter service in 1991, is designed to re-engine older generation civil jet airliners to meet proposed noise regulations in the next five years.

### Mrs Fields in EC joint venture

Sal. Oppenheim jr. & Cie. Unter Sachsenhausen 4, D 5000, Köln I

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#### **By Andrew Hill**

MRS FIELDS, US cookie manufactorer and retailer, has announced a major change in its international strategy. It is forming a joint venture in the Furopean Community with Midial, a French food group. The US company, which is quoted on the USM but has no US share listing, chould receive about \$12m, including \$4m from an issue of redgemable debentures, which will go towards reducing borrowings. Midial is taking a 99 per cent stake in a new company, Mrs Fields Europe (MFE), which

Tokyo Pacific Holdings N.V.

published and may be obtained from:

al Westminster Bank FLC

Plenson, Heldring & Pierson NV. Herengracht 214, 1016 BS Amsterdam

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Stock Office Services, 3rd Floor 20 Old Broad Street Lendon EC2N IE]

Tokyo Pacific Holdings (Seaboard) N.V.

The Quarterly Report as of 30th September 1988 has been

ber 1990 and up to 25 per cent thereafter, and will be able to increase its stake in MFE to will sell products of Mrs Fields and La Petite Boulangerie, the bakery chain owned by the increase its stake in MFE to between 20 and 49 per cent within three years of the first European store being opened. Mr Randy Fields, co-founder of the company with his wife, Debbi, was bullish about pros-pects for the joint venture despite the US group's recent heavy losses. bakery chain owned by the group's private parent com-pany, Mrs Fields Holdings. The new company will pay Mrs Fields a fee of \$5m for a prod-uct licence agreement as a pre-lude to building up a chain of stores in EC countries. MFE will also buy the four existing London stores - the US group's only presence in Europe - for about \$2.9m. The US company will earn a roy-alty based on 0.5 per cant of MFE's net sales until Decemheavy losses. He said similar agree

were being discussed with other potential partners in Canada, Australia, Japan and non-EC European countries.

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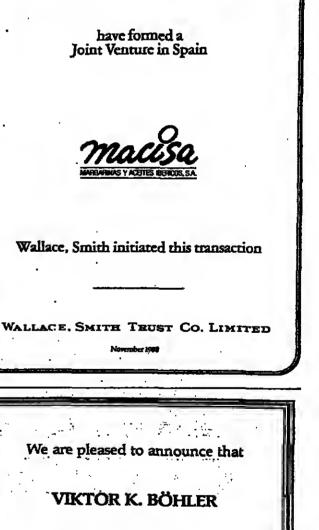
MIM BRITANNIA UNIT TRUST MANAGERS LIMITED Scheme of Amalgamation Britannia Arrow North American Growth Trust with MIM Britannia American Growth Trust



As a result of the passing of Extraordinary Resolutions by the unitholders of the above Trusts at separate meetings, the Scheme became effective on 2nd November, 1988. The terms of exchange of units of Britannia Arrow North American Growth Trust for units of MIM Britannia American Growth Trust is as ollows.-Upit of Britannis Arrow

North American Growth Trust = 3.46750 "B" anits of MIM Britan Dis American Growth Trust (ex subdivision 3-1).

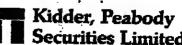
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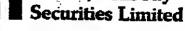




Vice President of our Corporation

for Euro Convertible Sales



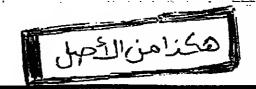


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#### **UK COMPANY NEWS**

### Norton Opax checks in with rise to £35m

NORTON OPAX, the security and specialist printer in which Mr Robert Maxwell holds a 25.6 per cent stake, yesterday unveiled pre-tax profits of £35.57m for the 12 months to end-September - an advance of some 42 per cent on the previous 18 month period to September 30 1987.

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Mr David Rocklin, chairman, said: "The group bas made con-siderable prograss on a number of fronts and has consolidated its position as a major force in its chosen specialised printing businesses, both in the UK and in key markets around the world"

Group turnover expanded just 8.3 per cent from £247.18m to £255.87m. The pre-tar outcome was achieved after reduced interest charges of \$3.02m (#5.41m), and an excep-tional credit of £3.05m relating to the sale of freehold proper-Earnings per 10p share

worked through at 15.82p against 18.03p for the 18 month period, or 12.02p on an annual-ised basis. A proposed final dividend of 3.5p makes 5p for the year. "The divisional breakdown of

trading profits was as follows stated. (comparisions for 18 months); Sécurity products £6.3m (£6.97m), Special products, £4.17m (£3.77m), Packaging, £5.53m (£4.52m), Book Printing 24.04m (23.8m), Magazine Print-ing 22.89m (22.37m) and Com-mercial Printing 22.86m (23.59m):

In March, the group pur-chased the printing division of New-Zealand's Printpac Corporation for 28m cash. Mr Rock-lin said he was pleased with the initial progress of the com-pany, now renamed Norton Opax New Zealand, despite the Infavourable local economy. Interchecks Group, personal-ised cheque manufacturer, acquired for over £21m in

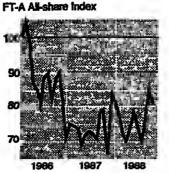
June, had undergone a sub-stantial reorganisation including investment in conversion to offset litho technology. "Although there is still a long way to go, we are satisfied with the progress to date." he

#### **O COMMENT**

Anyone in the market for a well-rounded printing group with growing and well-chosen overseas exposure can approach Robert Maxwell and make a reasonable offer. Not for MCC's own up-for-sale printing interests - he is curi-ously selective about to whom he will let Samuel Montagu send the prospectus - but for his 25.6 per cent stake in Nor-ton Opax, where the dog in the

manger appears to be getting itchy. On one level, it is unfair to dwell on Maxwell's inten-tions, and yet his bulky pres-ence on the register has helped to highlight Opax's strengths

#### Norton Opax Share price relative to the



to a super-prident 11.8 times), and why the latter is a supe-rior gauge. If there is any doubt why Opax cannot afford and weaknesses. Well-rounded Opax may be, but none of its operations is exactly the pick of its sector. This makes a break-up bid unlikely, and to issue more shares, the big slug of exceptional profits reported yesterday means stag-nant earnings this year, assum-ing pre-tax profits of £37m. On casts doubt on MB Group as a possible suitor, since its intershares 3p lower at 152p, the prospective fully diluted p/e of 10.2 fairly reflects the complex est would not extend beyond cheque printing. Perhaps Max-

#### Vaux over £26m as valuation well is waiting to pass his stake to a BPCC management buy-out team led by John Hollifts assets to 850p per share loran, the ex-McCorquodale By Lisa Wood chief with a score to settle. If

VAUX GROUP, the Sunderland-based brewer in which Queens Moat holds an 8.55 per cent stake, yesterday reported pre-tax profits of 26.2m for the year to October 1, an increase of 21 per cent on the previous year's <u>521.5m</u>. last year's £1.49m.

The group's shares closed 3p up at 728p, reflecting both results in line with market expectations and a property revaluation which gives an asset valuation of 850p per share.

Earnings per share were 40.1p (34.7p) with a proposed final dividend of 10.93p per share making a total of 16.33p (14.2p). Directors are also recommending a 5-for-2 share division.

Vaux has two core businesses, brewing and hotels. Group turnover of £196.5m (£181.7m) was made up of £91.25m (£87m) from brewing, £50.25m (£45.9m) from wines and spirits and 255m (£48.6m) from Swallow Hotels.

By Lisa Wood

beer sales. Blayneys, the off-li-cence chain, made profits of <u>\$1.2m</u>, a 12 per cent increase on Trading profits amounted to £23.86m (£20.82m) with contribations to pre-tax profits including one of £789,000 (£498,000) from property disposthe previous year. als. Finance charges, at £30,000 were substantially down on

#### COMMENT

Strong representation in the provinces, rather than London, has brought improved room rates and occupancy level for Swallow Hotels. The develop-ment of nursing homes - a market set for growth -appears to be a logical move with Vaux tendering for the northern homes of Ladbroke. Queens Moat is said to be unaggressive but the stake leaves it well placed should there be a bid. Brewing has been under considerable presuser under consustance pass sure from the competition with Vaux not best placed at the brand level for a possible free-for-all in the industry after the Monopolies report. Ana-lysts are looking for pre-tax profits of £29.8m for the full year giving a prospective p/e of 16.

31

McCarthy & Stone at £34m

#### By Fiona Thompson

MCCARTHY & STONE, the leading sheltered homebuilder, raised pre-tax profits by 37 per cent in the year to Angust 31 1988 from £24.9m to £34.1m. Turnover advanced by 51 per cent to £149.7m (£98.9m). Barnings per share lifted to 40.10p (29.19p) fally diluted. The recommended final divi-

Almost all of the increase was due to higher sales of retirement apariments in the UK, said Mr John McCarthy, chairman. Units sold rose from 2182 to 2 500 units

2,182 to 2,601 units. The average selling price rose from \$43,200 to \$54,500. Some of this gain was due to greater penetration of the mararea, where almost 20 per cent of total sales were achieved.

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The five nursing homes forecast, hampered by labour costs some 20 to 30 per cent up, tion, but Mr McCarthy said occupancy rates had risen from between 60 and 70 per cent to 80 - 85 per cent. The international side made a negative contribution, but

progress was beginning to gather pace and the division should be in profit this year, said Mr McCarthy. The interest charge rose to 58m (55m). Tax took £11.6m

(£8.8m). In the first quarter of the present year 446 units were sold, compared with 349.

O COMMENT McCarthy & Stone's results were hang in line with City forecasts and the shares closed unchanged at 333p. Gross mar-gins were slightly less than

bly make only a small contri-bution this year, McCarthy has the ability to expand dramatically in Europe in the next few years. In France the development at Grasse and the Merlin acquisition should be significant contributors. And there is still substantial growth to be seen in the UK. While housebuilders are not particularly popular with the market at the moment, first quarter unit sales up 28 per cent and con-tracts up 36 per cent is still an

While international will probaimpressive performance. The City is looking for about 245m this year, producing a prospec-tive p/c of 6.8, down in line with sector sentiment.

T&N in £29m expansion in France and Spain ing plants in all Europe's key vehicle-producing countries. He pointed out that the

acquisitions would soon be able to make use of the Ferodo brand name. The right to the name was sold to licencees

the right opportunities come

along, Opax has the borrowing facilities lined up to buy for cash, and it should. Few star-

ker examples could be found

for the contrasting messages

given by gearing (up from 15 per cent to 68 per cent because

of 235m in goodwill written off

on acquisitions) and by inter-est cover (more than doubled

venture in Spain for 14.4m. Mr Hope said the disposal would enhance earnings as the com-pany received no dividend on its investment last year.

The latest moves are in line with the strategy of having and selling smaller companies to improve performance. T&N's shares rose 2p to close at 158p. PRE-TAX profits almost 15 per cent higher at £11.5m were announced yesterday by J A Devenish, the West Country brewer, for the year to September 30.

Earnings per share, at 22.74p, showed an increase of 24 per cent with directors proposing a final dividend of 2.8p for a total of 3.55p (3p). Mr Michael Cannon, chair-

man, said: "It has been another year of significant expansion for the group." Development of the managed estate continued at a "furious pace", the brewery had been modernised, the bottled range of Newquay

Steam beers had been launched nationally and the company's wholesaling business was substantially strengthened, he added.

Swallow Hotels, the seventh

largest chain in England,

showed a 20.4 per cent increase in profits with two new hotels

opened during the year. Two more are planned this

A 15 per cent return on investment came from St And-rews Homes, a new nursing home division. The first home was opened in February with

four acquired since October

and four more under construc-

achieved a 9.5 per cent increase in profits to £11.5m. Volumes

fell slightly in the competitive

north east market although

Labatt lager helped Vaux

increase its lager percentage of

J A Devenish expands 15% to £11.5m

The brewing division

year.

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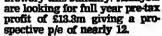
Turnover was £70.31m (£51.93m). A contribution of £3.4m (£2.04m) came from property disposals. Interest charges were £3.03m (£1.32m).

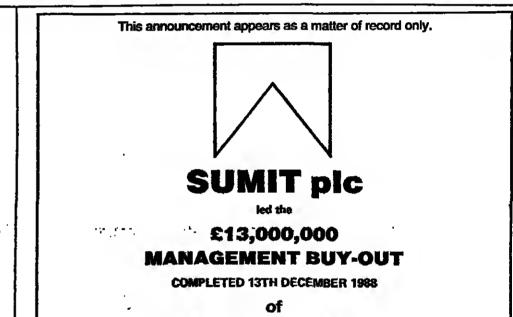
Since 1986 Devenish's managed houses have increased from 40 to 160, a development which has helped increase sales with the full potential to be seen next summer, according to the group.

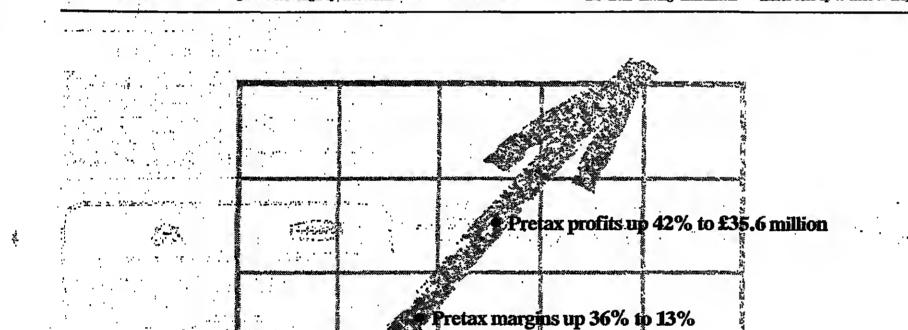
ish has succeeded in turning a sleepy West Country brewer into a successful retailer. It will be more than 18 months before the Redruth brewery breaks even and the pace of growth from the managed houses will slow down this year. The board is optimistic about reducing debt with an immediate reduction of 16m with the sale of the Weymouth brewery this January. Analysts

The jury is out as to whether the ambitious board of Deven

COMMENT







**By David Waller** costs some 20 to 30 per cent up, and the substantial investment in the international division. T&N, the engineering group formerly known as Turner & Newall, is expanding the continental European operations of Ferodo, its friction materials

subsidiary, with the £29m acquisition of the French and Spanish interests of Abex Cor-poration of the US. The French and Spanish companies make friction mate-rials such as brake pads and linings. Each has about 25 per cent of its domestic market,

with turnover of FFr 350m (£32m) and Ptas 2,100m (£10m). Mr Colin Hope, T&N manag-ing director, said both companies make a 10 per cent margin on sales and the deal would

enhance current year earnings, He predicted significant bene-fits from having manufactur-

years ago, but the licence in Spain runs out at the end of the current year and in France at the end of next year. T&N has also sold its 31 per cent stake in T&N/Valeo joint



Dividend per share up 25% to 5.00 pence

Earnings per share up 32% to 15.82 pence

"I am pleased to be able to report another year of record results for your company. Norton Opax has made considerable progress on a number of fronts and has consolidated its position as a major force in its chosen specialised printing businesses, both in the United Kingdom and in key markets around the world"

....

DAVID ROCKLIN - Chairman.

Preliminary results for the 12 months ended 30th September 1988 (compared with the 18 months to 30th September 1987):

TURNOVER	£272.9	MILLION UP 5%
PRETAX PROFIT	£35.6 N	<b>IILLION UP 42%</b>
PRETAX MARGINS	8	13% UP 36%
EARNINGS PER SE	IARE	15.82p UP 32%
DIVIDEND PER SH	IARE	5.0p UP 25%

ges are based on previous period of 18 months except carnings per share and dividend per share which are based on



Copies of the report and accounts may be obtained from: The Secretary, Norton Opax pic, Norton Opax House, 11 Ripon Road, Harrogate HG1 2JA. The contents of this statement have been approved for the purposes of Section 57 of the Financial Services Act 1986 by Peat Marwick McLintock as an authorised person.

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WELLAND HOMES LTD

and

WSJ HOLDINGS LTD

from

**BHH GROUP Plc** 

investors:

#### SUMIT plc **Hill Samuel Bank Ltd Causeway Capital Ltd**

SUMIT pic Edmund House 12 Newhall Street Birmingham B3 3ER

Venture Capital for promising unquoted companies

The advertisement is issued in compliance with the regulations of the Council of The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited ("The Stock Exchange"). It does not constitute an invitation to any person to subscribe for or purchase any securities in Cityvision.



**CITYVISION** plc (Registered in England No. 1047436)

Proposed Rights Issue of 8,526,264 new 8.5 per cent. net convertible cumulative redeemable preference shares of £1 each

> to be issued at par ("convertible preference shares")

Application has been made to the Council of The Stock Exchange for the grant of permission to deal in the above convertible preference shares in the Unlisted Securities Market. It is emphasised that no application is being made for these securities to be admitted to the Official List.

ulars of the convertible preference shares will be available in the Extel Unlisted Securities Market Service from 19th December, 1988.

Copies of the circular to shareholders dated 24th November, 1988 containing particulars given in compliance with the regulations of the Council of The Stock Exchange relating to Cityvision plc and including details of the convertible preferences shares, may be obtained during normal business hours and for two business days from the date of this notice from the Company Announcements Office of The Stock Exchange, 46-50 Finsbury Square, London EC2A 1DD, and for collection only on any weekday (Saturdays and public holidays excepted) for 14 days from the date of this notice from:

> McCaughan Dyson Capel Cure (UK) Limited, 65 Holborn Viaduct, London EC1A 2EU.

14th December, 1988.

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#### **UK COMPANY NEWS**

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vices and fund management in

The rights issue is under-

written by subsidiaries of Said Trust and the Lee Ming Tee group, who between them own

around 48 per cent of Aitken

It is conditional on the

approval of the independent trustees and fund-holders of

trustees and fund-holders of the NSR fund management business in the US because it is very likely that either or both the underwriters will end up with more than 25 per cent of the group, thus breaching the limit which forces a mandatory change of fund managers at NSR

PREMIER CONSOLIDATED

#### By David Waller

AITKEN HUME, the troubled financial services group, yesterday announced that it intends to launch a rights issue to raise £4.7m and reported a half-year swing into losses at the level of profits before tax and exceptional

49p.

the US.

NSR.

By Steven Butler

total reserves.

Hume shares

items. Aitken also said that it had reached agreement in principle to sell Sentinel Life, its life

to sell Sentinel Life, its file assurance subsidiary, to an unidentified buyer. Contrary to the company's hopes in October, proceeds are expected to fall far short of Sentinel'a appraisal value of fild.im, but are likely to be encough to aliminate the

reacting to eliminate the group's S2m borrowings. Reflecting depressed condi-tions in the financial services industry, a pre-tax profit of \$2.03m in the first half of \$2.03m in the first half of 1987-88 turned into a loss of £414,000 in the six months to the end of September this year, a figure arrived at after inter-est but before a fillm excep-

tional credit. Mr Jonathan Aitken, the chairman, said that during the past few months, considerable progress had been made towards putting the business on a sound footing for future growth, with overheads cut by \$5m in the UK and \$8m in the US on an annualised basis. But he said that market conditions looked set to remain

poor for the present year and the Board had decided not to Mr Olympitis said he was confident of getting the neces-sary approval, but that the pro-taken against reserves and recommend an interim divi-dend. The shares slipped 5p to cess would take some time. The issue is thus open for 90 Mr Emmannel Olympitis,

days. . The figures show a fall in chief executive, said that com-bined proceeds from the 1-for-10 rights issue of convert-ible preference shares of £1 each, and the sale of Sentinel gross revenue from £19.2m to £14.35m, a decline in profits at NSR from £2.23m to £584,000 leave the company cash positive and in a position to expand its business in banking, fiduciary and management ser-

NSR from £2.2am to £584,000 and at the UK fund manage-ment business (sold in mid-Oc-tober this year), from £2.10m to a loss of £179,000. Banking profits however surged from £179,000 to 2655,000; Sentinel contributed a profit of £31,000. Fiduciary and management services - basimanagement services – basi-cally the Bachmann Group in Guernsey, bought in December 1987 – contributed £486,000.

"Corporate costs including unallocated interest" absorbed £1.99m (£1.51m); Mr Olympitis said that the figure would be a lot higher during the full year, as the caption embraces not just interest but redundancy costs, of which there are more to come in the second half. The exceptional credit arises

because of an error on the part of the independent consulting actuaries who valued Sentinel;

**Premier confident over oil find** 

gave rise to a prior year adjust-

#### O COMMENT

For all the chairman's optimism that the rights issue would usher in a new era of profitability, yesterday's news from Aitken Hume contained a number of disappointments for the company's long-suffering shareholders. But quite apart from the uncertainty surround-ing the cash-raising exercise and the the fact that the Sentiand the the fact that the Senti-nel disposal will raise "sub-etantially" less than the (adjusted) appraisal value shareholders were told they would get in October, the pre-sentation of the accounts did little to inspire confidence. Why take the credit half of the two. Sentinel adjustments

two Sentinel adjustments above the line, and stick the deficit well below? And it would be nice to have a break-down of "corporate costs including unallocated interest." As one broker said yester-day, "the shares are an unequivocal sell."

Strong demand lifts **BSS** to £5.62m

By Richard Tomkins, Midlands Correspondent

BSS, the Leicester-based industrial products distributor that sold its manufacturing interests last year, yesterday reported a 32 per cent increase in pre-tax profits from \$4.29m to £5.62m for the six months to Septem

to September. The company said the improvement marked more of the strong demand seem in last year's second half, although the comparison was with a period of relatively quiet trad-ing. There had been no signs of a slackening in demand in the present occond half and the company was confident of a good overall result. Turnover rose from £47.21m

good overall result. Turnover rose from £47.21m to £61.78m, partly reflecting last year's acquisition of A.M. Supplies and Ivco. But Mr Alan Milne, finance director, said their contribution to profit after interest charges was still quite small. Exercises per share rose by

Earnings per share rose by 31 per cent from 14.7p to 19.3p and the dividend is lifted from

4p to 5p. Mr Milne said BSS's growth had been stimulated by the had been stimulated by the buoyancy of the UK economy, but he also believed the com-pany had increased market share through attention to its customers' needs. 'We believe our future is very dependent on our ability to service our customers,' he said. National coverage had been ernanded through the opening

expanded through the opening of a BSS branch in Preston, an Ivco branch in Grangemouth and the acquisition of a head office and main distribution centre for A.M. Supplies in Wakefield.

July had seen the acquisi-tion of the tube, valve and fit-tings business of Charles Booth and A.M. Supplies had been expanded earlier this month through the purchase of Actonbridge.

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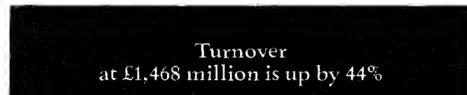
Correction

Willaire

Systems

Willaire Systems, industrial services and environmental and computer products group, moved to a full listing in May. Our report on December 6 incorrectly described it still as a USM company.

### PRELIMINARY RESULTS FOR **52 WEEKS ENDED 1 OCTOBER 1988**



On behalf of Union Explosivos Rio Tinto, S.A., the undersigned developed the acquisition strategy,

BOOZ-ALLEN ACQUISITION SERVICES BOOZ-ALLEN & HAMILTON INC.

UNION EXPLOSIVOS RIO TINTO, S.A.

Madrid

has acquired

**FREIHOFF CHEMIE GmbH** 

Recklinghausen

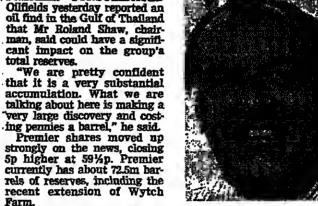
approached the seller, valued the company,

and assisted in negotiating and

closing the transaction.

November 1988

32



rels of reserves, including the recent extension of Wytch Farm. The Thai well is the first that Premier has drilled in the huge offshore concession, as big as 44 North Sea licence discovery. blocks or 2.3m acres, in the Songkhia basin. The well is 10 miles offshore in 60 ft of water. Mr Shaw said that Premier

had only begun to explore the entire area, in which it has a 55 per cent interest. Petrofina holds the balance. The well flowed 31 degrees

the oil-bearing strata. He said Premier was reluc tant to disclose details of the well because it was preparing to submit applications for fur-

Although large quantities of gas have been found to the east of this area, the Premier find could prove to be the first major oil discovery. Shell found oil to the north, hut the well had to be suspended after six months of

production because of water encroachment, in which the water component of production rose rapidly. Mr Shaw said yesterday that Songkhla basin was a com-pletely separate geological

Roland Shaw:a very large structure. Premier plans to meet with Petrofina early in the new year to discuss further appraisal

API oil at a sustained rate of 1,500 barrels a day through a restricted choke. and exploration efforts on the The structure drilled is 10km by 2km, although Mr Shaw would not reveal further concession. Three further structures have been identified nearby which would merit details about the well, such as its depth or the thickness of

Investment acquired 100,000 shares and holds 9.72m (29.65

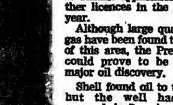
Vivat Holdings: Compagnie de Navigation Mixte SA increased

holding to 10.7m shares (26.08 per cent). Thomas Walker: The company's pension trust holds 315,000 shares (5.16 per cent).

cent)

exploration. The two companies have so far spent under \$10m (£5.5m) to explore the basin.

ther licences in the area next



Profit before taxation at £143 million is up by 29%

> Earnings per share at 28.1p are up by 11%

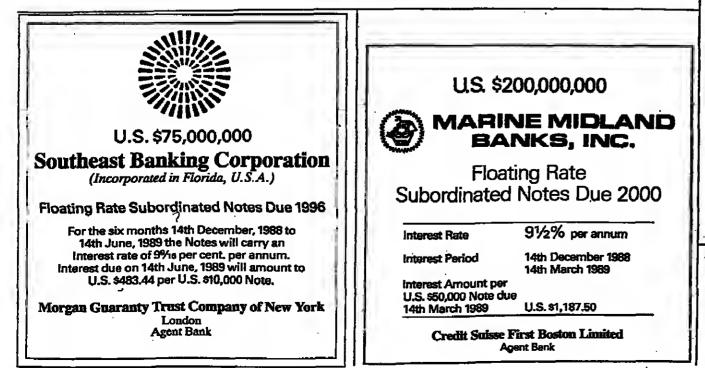
Dividend per share at 11.2p is up by 14%

"The major acquisitions of Electronic Rentals and the computer maintenance company DPCE are now both fully integrated. These are part of our substantial investment programme which provides us with a secure base for further growth in earnings."

#### Alex Bernstein Chairman

#### Granada Group PLC 36 Golden Square, London W1R 4AH. 01-734 8080

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#### SHARE STAKES

Changes in company share continues to be beneficial stakes announced recently owner of 2.7m shares. include: **Polymark** International: Timothy Rosen and Leslie Kent jointly and beneficially purchased 634,000 shares (5.4

Alphameric: Scottish Amicable Investment Managers increased holding by 100,000 shares to 1.85m (9.4 per cent). Alva Investment Trust: North per cent). Priest Marians Holdings has bought £2.66m nominal of its of Scotland Investment pur-chased 225,000 ordinary (12.86 per cent) - 100,000 at 201½p and 125,000 at 202p. Temple Bar Investment increased holding by 40.000 shares to \$25,000 6.5 per cent convertible unse-

cured loan stock 2000/2008 (about 8.9 per cent of the out-standing balance). by 40,000 shares to 395,000 (22.57 per cent). Prism Leisure: G.H. Akins pur-chased 10,000 shares lifting holding to 320,000 (8.2 per

Charterhall: Wycon, a wholly-owned subsidiary of Westmer, now holds 199.35m ordinary cent). Process Systems: L.E. Hamil (53.2 per cent). Fleming Enterprises Invest-ment: Equitable Assurance Society has bought 200,000 shares and holds 7.7m (19.26 ton, director, sold 200,000 shares at 5p, reducing holding to 4.38m (8 per cent). Beliant Motor: Streamclare, Hubberstone and D.L. Blake Goode Durrant: Scottish Ami-cable Investment Managers together hold 450,000 shares (5.08 per cent). Bolfe and Nolan: Prudential

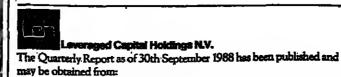
Corporation interested in 187,500 shares, or 7.2 per cent acquired 650,000 ordinary and now holds 3.73m (7.6 per cent). (up from 6.1 per cent). Hanover Druce: Mr S. A. Gold-

stein, managing director of the company's wholly-owned sub-sidiary, Alexander Stevens, bought 150,000 and 25,000 ordi-nary and now holds 393,035 (6.38 per cent). Sanderson Murray & Elder: Selective Investments now holds 227,500 ordinary (11.97 per cent). Trafford Park Estates: Peel Holdings interested in 4.85m shares (14.52 per cent).

Hartwell: Cresscombe has acquired 1.25m ordinary, mak-ing a total of 11.52m (14.62 per TR Australia Investment Trust: River Plate and General cent). Jove Investment Trust: Unau-dited net asset value per capi-tal share at November 30 1988 per cent). Trimoco: Bishopsgate Invest-ment has increased its stake to 11.45m ordinary (14.77 per

was 87.56p. **Eleinwort Development Fund:** Kleinwort Development Fund: Kleinwort Charter Investment Trust bought 160,000 ordinary to increase stake to 644,000 (10.64 per cent). Microfilm Reprographics: As a result of purchases made by John Govett and Co on behalf of cilents under its discretion. of clients under its discretionary management, the number of ordinary shares so held amounts to 4.6m (19.74 percent).

Barry Wehmiller Interna-tional: Barry Wehmiller Com-pany acquired 1.26m new ordinary at 1789 and holds 6.58m (228 per cent).James Wilkes: S.L. Hinchliffe, chairman, has acquired, as beneficial owner, 148,282 ordinary. His total hold-Molins: Mutual Shares Corp interested in 770,000 shares, Mutual Qualified Income Fund 300,000, and Mutual Beacon Fund 680,000 shares. IEP Secu-rities, a wholly-owned subsid-iary of Industrial Equity ing of voting shares is 1.03m (12.65 per cent). Yellowhammer: J. Pemberton, director, disposed of 160,000 ordinary at 154p per share, reducing holding to 867,000 (8.1 (Pacific), owns 8,62m ordinary. MY Holdings: Coast Securities has accepted the offer from Taweydown in respect of 5m MY shares (12.82 per cent). It per cent).



Pierson, Heldring & Pierson N.V. Herengrachr 214, 1016 BS Amsterdam. Tel. + 31 - 20 - 211188

#### SPONSORED SECURITIES

					Gross	Yield	
High	Low	Company	Price	Change	div (p)	%	P/E
265	185	Ast. Brit. Ind. Ordinary	283	0	10.3	3.6	7.5
285	186	Ass. Brit, Ind. Culs	283	0	10.0	3.5	-
42	25	Analitage and Rhodes	34	-1			-
57	30	SSB Design group (USND	30	-3	21	6.8	4.8
173	155	Bardon Group	1690	0	2.7	1.6	28.9
117	100	Bardon Group Conv. Pref.	317	0	6.7	5.7	-
148	103	Bray Technologies	107	+1	5.2	4.9	8.6
114	100	Brenskill Com. Pref	110	0	11.0	10.0	
287	246	CCL Group Ordinary	285ml	Ő.	12.3	4.3	4.3
178	124	CCL Group 11% Com.Prd	169	0	14.7	8.7	
154	129	Carbo Pic (SE)	341	Ū.	6.1	43	12.3
113	100	Carbo 7.5% Pref (SE)	106ml	-4	10.3	9.5	
353	147	George Blair	353	Ó	12.0	3.4	7.8
119	60	Lists Group	118	0			15.5
118	87	Jackson Group (SE)	98bad	+3	3.3	3.4	10.8
267	245	Mattihoase NY (AustSE)	260	+2	-	-	-
119	40	Robert Jenkins	107	0	75	7.0	4.9
430	124	Scritting	408	0	8.0	2.0	371
280	194	Torday & Carlisle	278	G 1	7.7	2.6	13.5
100	- 100	Torday & Carlinie Cone Prof	100	0	10.7	10.7	
98	56	Trevian Holdings (USMD	86mi	0	27	3.2	9.2
113	100	Unistrat Earope Coav Pref	108	0	8.0	7.4	
355	350	Veterinary Dreg Co. Pic	353	0	22.0	6.2	9.4
337	203	W.S Yestes	339	+2	16.2	4.8	65.2
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#### Standard Chartered PLC (incorporated with limited lieblity in England)

#### US\$400,000,000 Undated Primary Capital Floating Rate Notes

In accordance with the provisions of the Notes, notice is hereby given that the next Interest Determination Period will run from 14th December, 1988 to 6th January, 1989. This Interest Determination Period is also a Residual Period (as defined) and the Notes will carry interest at the rate of 912 per cent, per annum,

Interest payable on 6th January, 1989 will amount to US\$61.89 per US\$10.000 Note and US\$618.92 per US\$100,000 Note.

Standard Chartered Merchant Bank Limited Agent Bank

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#### **Unilever PLC**

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é Tomkins, Correspondent

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has sold its subsidiary

#### **Thames Board Limited**

#### **AB Iggesunds Bruk**

We acted as the financial adviser to Unilever PLC

#### **Goldman Sachs International Limited**

February, 1988

### **BP** America Inc.

a subsidiary of

#### The British Petroleum Company p.I.c.

has sold its subsidiary

#### **Scicon Corporation**

incorporating

to

#### Scicon Limited SCS Scientific Control Systems GmbH Groupe Francais d'Informatique Systems Control, Inc.

Systems Control Technology, Inc. 

#### Systems Designers plc

### هكنامنالكصل

#### **Rowntree plc**

has sold its wholly owned subsidiary

#### **Rowntree Snack Foods Limited**

and the second second

#### Vanguard Plastics Limited

a subsidiary of

#### Borden Inc.

We acted as the financial adviser to Rowntree plc

#### **Goldman Sachs International Limited**



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April, 1988

Goldman Sachs

#### J. Lauritzen A/S

has sold the ferry businesses of

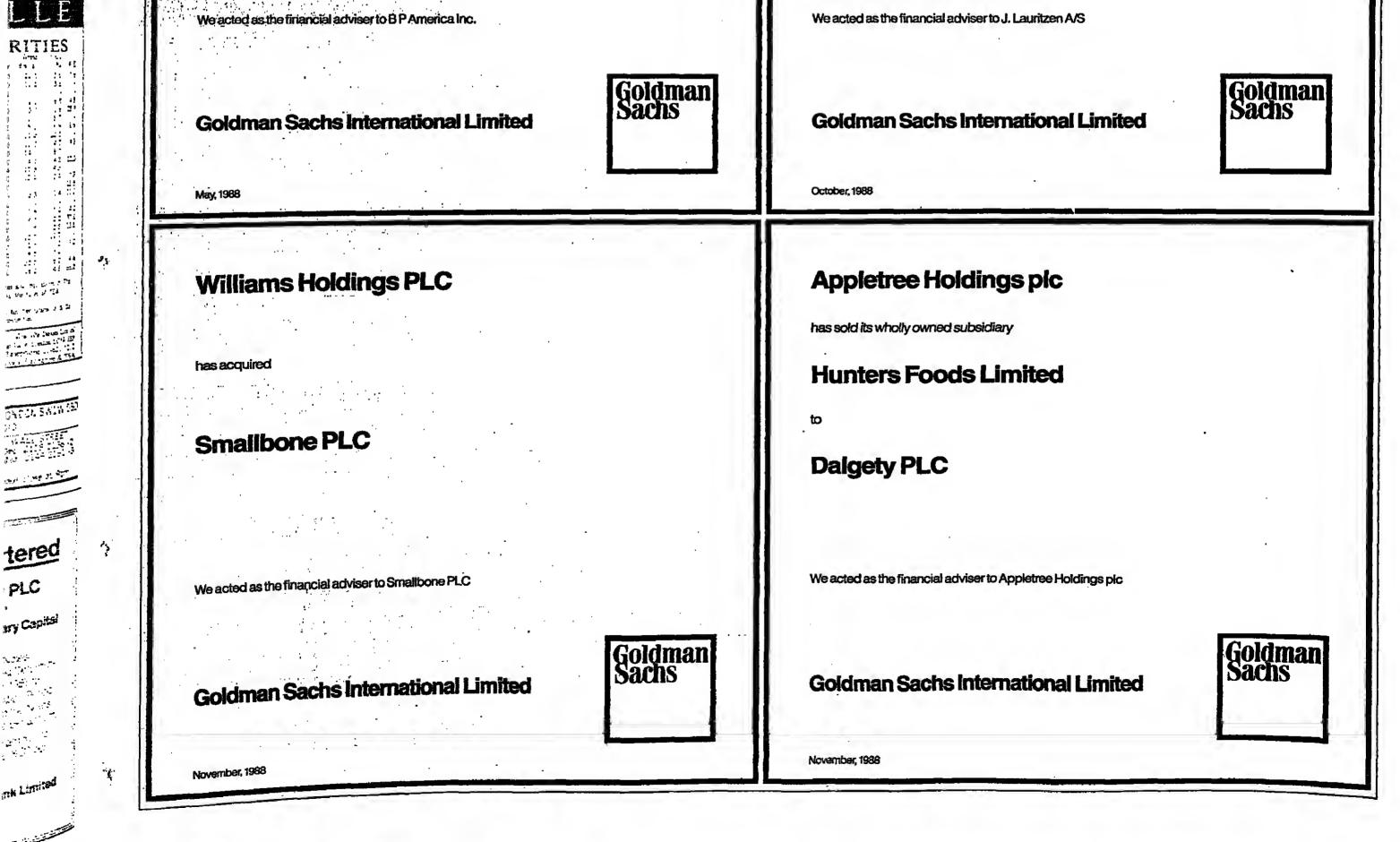
#### Mols-Linien A/S and **Grenaa-Hundested Linien A/S**

to

#### K/S Difko LXII

of

#### **The Danish Investment Foundation** of 1st July 1976



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#### **COMMODITIES AND AGRICULTURE**

### **Copper and zinc prices** fall as Peru strike ends

The second second second second second second

By Kenneth Gooding, Mining Correspondent

yesterday following overnight news that the 57-day miners' strike in Peru had ended. But analysts pointed out the fundamental tightness of supplies had not changed and some suggested there would be further interruptions to Peruvian output after Christmas.

Of the base metals, Peru last year mined 11 per cent of all non-Communist world zinc. 8 per cent of all lead and 6 per cent of copper. It also was responsible for

nearly 15 per cent of silver production. Silver is not been in short supply and the price has hardly been affected by the strike. The market continued to be unconcerned about events in Peru yesterday and, contrary to some analysts' expectations, the silver price in London rose 3 cents to 617

METAL PRICES slipped heen weakening, not only because an end to the Peruvian strike was widely expected, but mainly because fears of a squeeze on the New York Commodity Exchange (Comex) in late December had eased following an unexpected increase in Comex stocks starting on Friday and continu-

ing into this week. On the London Metal Exchange price of Grade A copper for immediate delivery fell £56.50 a tonne on Monday and dropped another £77 to

£1,850.50 a tonne yesterday. Special High Grade zinc for immediate delivery, which slipped by \$17.50 a tonne on Monday on news that talks between the miners' union and management in Peru were to start again, was down another \$7.50 to \$1.540 yesterday. Cash lead lost another \$2 a tonne cents. after falling \$4 on Monday to The copper price had already end yesterday at \$397 a tonne.

Mr Andrew Smith, metals analyst with UBS Phillips & Drew, said that, although set-tlement of the strike would be bound to take some of the speculative froth out of copper and zinc prices, "fundamentals are extremely sound, buttressed by another year of investment led, metals-intensive growth in the world economy.

"Wa expect the average for all metals prices, except aluminium, to be higher in the first half of next year." Mr Smith also suggested that

the Peruvian miners "wanted to have some food in their bellies at Christmas time" Other analysts also ques-

tioned the permanancy of the settlement. Major economic and political problems remain in Peru which could disrupt

output again next year, they pointed out. End of strike, Page 3

Regenerating Indonesia's rain forests John Murray Brown on the exciting potential of a Dutch scientist's breakthrough

W ILLIE SMITS thinks nothing of passing the night 35 metres up a tree in the canopy of the equatorial rain forest. "You

never can tell when it will flower," he explains. The tree in question is the dipterocarp, the largest and most widespread of Indonesia's native species. Mr Smits has spent more than three years in greenhonse research in a corner of Kalimantan which in 1985 was ravaged by the worst forest fire in history. Today this 32-year-old Dutch scientist, whose project is funded hy Dutch government aid, helieves be has msde an important breakthrough in the increasingly desperate battle to save Indonesia's rain forest from the threat of commercial logging and slash and hurn agriculture. And he is now sting his findings at a small dipterocarp plantation he has established - something never before achieved on a commercial scale. Indonesia's Forestry Minis-ter Mr Hasrol Harahap has

will present his findings to

more than 500 private conces-

interests often described as compared with a count of 30 cu Indonesia's most powerful m in Brazil, the only country business lobby. Working with two Indonesian scientists, Mr Smits has for the first time identified the

parasitic fungus vital for the tree's root system. The research, if a little abstruse to the layman, could well have a dramatic impact on the Indone-sian timber industry, which last year earned \$2.5bn, the largest source of foreign exchange outside oil and gas. Applied on a large scale, it could also have important benefits for animal and plant life conservation and even

life conservation and even global weather patterns. The dipterocarp, which accounts for 80 per cent of Indonesia's tree cover, is highly valued by foresters for its long straight bole, some-times measuring 30 metres to the first hranch. The tree has also tended to grow in lowland rain forest, the areas most accessible to lowgers. accessible to loggers. Today the country has 114m

hectares or 10 per cent of the world's surviving rain forest, already given his backing to the project, as has Dr Emll Salim, the respected Minister for Population and the Enviaccording to figures from the United Nations' Food and Agricultura Organisation. The country's 55m hectares of proronmant. At a meeting in Jakarta this week Mr Smits duction forest are said to con-tain the world's most valuable stands of commercial hardwoods. Timber yields in parts of Kalimantan are as much as 400 cuhic metres a hectare,

with more extensive forests. Indonesia boasts over 400 separate species in a single hectare. making it the planet's most biologically diverse region. still relatively good.

<u>المن بالمنظمة في الأخرية (</u>بالمنظمة من محمد من مح<u>مد مرتجين من من ا</u>

However, like many poor countries rich in natural resources. Indonesia faces severe land constraints, partic-ularly on the main island of Taya The country has a Java. The country has a population of 175m and it is growing by 2.3 per cent every year. Meanwhile it has an external payments crisis, with policy is only now really appreciated with plywood prices fall-ing and buyers in Japan, the debt servicing set to absorb around 40 per cent of export receipts in the current year. main market, accusing Indonesia of dumping. To date reafforestation has been pitifully inadequate. Instead of replanting concessionaires choose to pay the

The drop in oil earnings, traditionally the mainstay of the economy, has actually accelerated the invasion of the forest, in the search for new exports. As timber compenies go further and further to supply their factories, the logging roads they leave behind open up the forest for the smallholder, using traditional slash and burn farming methods. According to the FAO Indon-esia is now losing its forests at a rate of 1m hectares every

Meanwhile the government payment for replanting, at 600,000 rupiah (£190) a hectare does not reflect the real costs. The Government's own year, more than the UK's Forestry Commission has planted since the Second World efforts at reafforestation are little better. At Suharto Hill, a 77,000 hectare research station War and faster than any country apart from Brazil. Deht for nature swaps, like opened by the President after the great fire, officials confirmed that a mere 800

the one organised by Citicorp in Bolivia have been enthusiashectares had so far been

established, mostly of lower tically promoted as a way out of the mess. But in Indonesia's value fast-growing species like Eucalyptus and Acacia. Hardwood estates are virtucase, economists believe this would send a negative signal to ally unknown. On Java the financial markets, where the country's credit standing is

Dutch colonists planted teak, a non-indigenous exotle introduced from Burma. Centuries earlier Hindus on Bali planted Plywood companies, mean-while, are rushing to increase the sacred Monkey forest at production just to recover the Sangeh, which Mr Smits believes is the only known large scale forced investment, following the Government's dipterocarp estate. han on raw log exports in 1983. The short-sightedness of the

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Traditionally one problem has been the short viability of the dipterocarp seeds which can be stored for no more than a few days. Also critical is soil temperature, which can be badly affected once the shade-giving mother tree is felled. However, the major break-through came when Mr Smits discovered that seedling growth was seriously impaired when cut off from the root sys-

Today Mr Smith claims not only to have mastered the technology but to have done so at a cost which is attractive to lumcost which is attractive to im-ber companies. At this week's meeting Mr Harahap is widely expected to endorse these claims, forcing all concessionaires to establish dipterocarp nurseries, doubling the remu-neration for companies establishing plantations, and raising the number of forest wardens to enforce these changes. It promises to be a stormy encounter.

WEEKLY METALS Prices from Metal Bulletin (last

week's in brackets). **ANTIMONY:** European free market 99.6 per cent, \$ per tonne, in warehouse, 1,950-2,050

(same). BISMUTH: European free market, min. 99.99 per cent, \$ per lb, tonne lots in ware-

house,6.20-6.50 (6.10-6.25). CADMIUM: European free market, min. 99.5 per cent, \$ per lb, in warehouse, ingots 7.00-7.40 (same), sticks 7.00-7.40 (same).

COBALT: European free market, 99.5 per cent, \$ per lb, in warehouse, 7.55-7.80 (7.50-7.70).

**MERCURY:** European free market, min. 99.99 per cent, \$ per 76 lb flask, in warehouse, 285-300 (same). MOLYBDENUM: European

free market, drummed molybdic oxide, \$ per lb Mo, in ware-house, 3.45-3.50 (same). SELENIUM: European free

rket, min 99.5 per cent.

### Namibian diamond venture

#### By Jim Jones in Johannesburg

Mines, De Beers' wholly-owned Namibian arm, is to establish a new R90m production area at Auchas, 45 km north of the company town of Oranjemund and inside its existing

The company says the new area will be hronght into production in the second half of 1990 and that development of infrastructure will start early next year. Reserves are sufficient to support an annual ore processing rate of 1.2m tonnes for ten years to produce about 43,500 carats a year.

Grades in the new area appear to be significantly ture forms part of the com-lower than the average of pany's effort to increase CDM's present operations. Last reserves and to extend the life

CONSOLIDATED Diamond year the Namibian company processed 13.44m tonnes of ore. to produce 1.02m carats of diamonds, at an average recovery grade of 7.6 carats per 100 metric tonnes. The company has not

commented on the expected profitability of the new recov-ery operation, nor will it. Profitability will depend on the quality rather than tha quantity of diamonds recovered, and CDM's alluvial mines produce particularly good quality gems and scarcely any of the cheap industrial

diamonds. CDM says the Auchas venture forms part of the com-

of the company's mining operations. In 1986 a govern-ment-appointed commission of inquiry accused CDM of exces-sively depleting its high grade streight depleting its night grade reserves. The company rejected the accusations and they were subsequently dropped by the Namibian government, though that was followed by press disclosures in Windhoek of

payments by CDM to government ministers. Ohservers believe the 20

years of so-called "over-mining", if in fact it occurred, was prompted by the company's concern over the likely attitude towards the privatelyowned mining firms of a postindependence government in Windhoek,

### **Brussels modifies beef plan**

#### By Tim Dickson in Brussels

THE EUROPEAN Commission last night appeared to be moving to calm some of the worst fears raised by its controversial proposals to

A new paper submitted to farm ministers of the 12 at their meeting in Brussels contained two ideas clearly

be triggered antomatically if market prices fell below 75 per cent of the EC's intervention price and would require the Community to accept tender offers at up to 77 per cent of the intervention price. The other idea - a relaxation in the maximum numbe

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C and F Dundee BTC \$475, BWC \$465, BTD

aro 87C \$455

\$425, BWD \$435, C and F A

EWC \$445. 8WD \$400. 8TD \$410.

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reached.

the rest up to a maximum of Ecu 5,000 per farm. This new cash ceiling effectively replaces the original headage limit of 75 animals with a new limit of 200 animals. The new mechanism would While efforts to reach agree-

ment were expected to last late into the night (with no guarantee of success) ministers

Close Previous High/Low

107.70 107.45

111.25 110.85

112.95 112.90

102.50

Wheat 114 (109) , Barley 191 (175) .

107.60 111.35 113.40

107.45 110.85 112.90 102.50

Jan Mar May Nov

Turnot

Feb Mar May Jun

sion holders, a motley group of military and local Chinese India may need to import more grain By K.K. Sharma in New Delhi INDIA'S FOOD stocks now stand at what is considered to be a dangerously low level of

around 5m tonnes, despite a good "rabi" (summer) crop this year, and officials are therefore considering whether further imports of grain are needed. The fall resulted mainly

from an unexpectedly low pro-curement of grain by govern-ment purchasing agencies from the main markets in the northwestern states of Punjab and Haryana after the summer rice harvest, despite offering slightly higher prices than last year. Agencies like the Food Cor-

poration of India have reported rice procurement at 1.78m tonnes and that of wheat at 6.5m tonnes for the 1988-89 narketing year (to the end of November 1986), was lower by 9.2 per cent and 16.9 per cent, respectively, compared with

IMPORTS OF cereal by 45 developing countries in Africa are expected to decline in the coming year, thanks largely to better harvests in western and southern Africa, Bridget Bloom writes. However, in the Sndan severe famine is likely among migratory populations while

production of cereals and other food crops in both Angola and Mozambique are likely to remain disrupted by civil disturbance. The UN's Food and Agricalture Organisation, in a new

report on crops prospects in sub-Saharan Africa, says that the "excellent" harvests expected in most of the countries of west Africa, including for-

The farmers are also selling their produce to traders, who have been extremely active in and are now at their low

merly drought-ridden Mall, Niger and Chad, will enable countries to rebuild stocks drawn down in 1988. Cereal production in the 17 countries of the region is estimated at 24m tonnes, 4m tonnes more than last year. Across the continent, cereal

production for 1987-88 is esti-mated at 44-5m tonnes, with a further 9.3m tonnes of imports. Of this 4.8m tonnes was commercially imported. and the remainder mostly net by food aid. The FAO believes 1989

import requirements of the 22 countries most reliant on imports could be as low as 4.6m tonnes, with 2.8m tonnes commercially imported.

level for more than two

tres as well as for drought relief programmes Stocks plunged as a result

the country about ten years ago recommended that a minimum of 10m tonnes should be maintained as a buffer stock to check inflationary pressures, and said another 7m tonnes

statutory \$4 for every cubic metre of cut timber. Many feel

with the 20-year length of concession there is little incentive when considering a

species like the dipterocarp which takes 60 years to mature and flower for the first time.

tribution system. Stocks are now well below this level and cannot be increased until the next procurement season that will begin in April next year, when the winter crop, mainly of wheat, is harvested. A bumper crop is expected and so pro-curement should improve.

year for the first time since self-sufficiency was achieved.

were needed for the public dis-

However, this means that extra grain will be needed for the public distribution system in the next few months and this is the reason for considering further imports. India imported 2m tonnes of whest and 600,000 tonnes of rice this

designed to make the package more palatable to some of its most vociferous critics.

The first was a new "safety net" to ensure continuing guaranteed purchases of meat by Brussels in the event of a market crisis, regardless whether or not the 200,000 tonne annual limit which the Commission wishes to impose on such purchases was

of male animals eligible for the newly increased special premium - seemed to he aimed at meeting a major concern of Mr John MacGregor, Britain's Agriculture Minister. Under the proposed new arrangements a payment of Ecu 40 per head would be made on the first 50 animals - with Ecu 20 per head available for

terday did manage to agree a 53,000 tonne quota for imports of frozen beef. Some 90 per cent of this is to be divided. up between member states via national quotas but, with an eye to the implications of the advent of the single European market in 1992, ministers agreed that 10 per cent should be put into a new communitywide reserve.

This is attributed officially to what are called the "adverse spill-over effects" of the worst drought in a century that hit India last year. In effect, this means that farmers are not bringing their harvests to the markets because they want to retain stocks for their own con-sumption or in anticipation of higher prices in future. prices in the main urban cen-

the grain markets and have bought up large quantities of the two harvests in anticipation of higher prices later. They have offered farmers considerably higher prices than the government agencies. Reserves have fallen mainly because of the needs to supply the public distribution system for foodgrain at subsidised

WORLD COMMODITIES PRICES

decades, during which the country was largely self-sufficient in food and hardly any grain imports were made. The Government was therefore able to build stocks to a record level of over 24m tonnes before last year's drought.

gramme" was drawn up by the Government for the 14 main An official committee which examined the food situation in agricultural states.

Largely because of a bountilb, in warehouse, 8.90-9.30 ful monsoon last snamer, offi-(same). TUNGSTEN ORE: European cials expect that the country will achieve a record 170m free market, standard min. 65 tonnes of food production in per cent, \$ per tonne unit (10 kg) WO, cif, 55-63 (same). VANADIUM: European free 1988-89. That would be around 4m tonnes higher than the target of 166m tonnes, to achieve which a special "action pro-

market, min. 98 per cent, VO, cif, 6.20-6.70 (same). Nnexco URANIUM:

exchange value, \$ per lb, UO, 14.15 (same).

• :

The bushel

758/0 770/0 775/4 775/4 705/0 725/0 695/4 704/0

22.76 22.86 23.35 23.90 24.35 24.65 24.65 24.65

241.5 242.5 242.3 240.0 235.0 235.0 228.0 228.0 205.0

259/0 259/5 275/0 277/4 255/0 256/0 254/0

423/0 424/0 408/4 383/0 387/0 386/0

72.15 71.85 73.75 72.70 70.75

0 89.00 70.75

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#### LONDON MARKETS

COFFEE prices rose aharply in morning trading, but the rally attracted activa salling and tha merket fell back In the atternoon to close just below Mondey's leval. Traders said that prices failed to hold gains after New York came under profil-taking pressure early. This unleashed ceiling on Ideas that Monday's New York rally, which was based on strong computer buying. was overdone. The International Coffee Organisation 15-dey average indicator is now 115.79 cents a (b. making a 1m bag increasa in the total world export quota next week almost certain. Cocoa prices ware also firmer in the morning, mainly because of the weakness of sterling. But a lack of buying interest in the physical market, with factory damand slowing ahead of the Christmas holidey, contributed to a reversal in the atternoon, as did bearish charts.

SPOT MARKETS		
Crude oil (per barrel FOB)		+ or -
Dubei Brent Cland W.T.I. (1 pm est)	512.42-2.57q 514.80-4.90q 516.05-6.09q	-0.00
Oil products (NWE prompt delivery per to	nne CIF)	+ or -
Premium Gasoline Gas Oil	\$171-174 \$146-147	+1 +1
Heavy Fuel Oll Naphtha Petroleum Argus Estimates	\$89-71 \$133-135	-1
Other		+ or -
Gold (per troy az) 🗭	\$420.50	+0.75
Silver (per troy oz)	6176	+3
Platinum (per troy oz) Palladium (per troy oz)	\$590.75 \$128.5	+4.25
	\$2455	-95
Copper (US Producer) Leed (US Producer)	16858-171 41 4c	-14
Nickel (free market)	720c	-10
Tin (European free market)	£4092.5	+25.0
Tin (Kuala Lumpur market)	19.71r	+0.07
Tin (New York) Zinc (Euro, Prod. Price)	344.0c \$1500	
Zinc (US Prime Western)	723 c	
Cattle (live weight)†	116.530	+ 1.82*
Sheep (dead weight)?	169.27p	-5.20*
Pigs (live weight)t	80.48p	+0.06*
London daily sugar (raw)	\$294.62	-1.6
London daily sugar (white)	\$302z	-2
Tate and Lyle export price	\$270.5	
Barloy (English feed)	£114q £131	+2
Maize (US No. 3 yellow) Wheat (US Dark Northern)	£119v	T4
Rubber (spot) \$	58,750	-1.50
Rubber (Jan)	63.5p	-1.5
Rubber (Feb) 🎔	64.25p	-1.50
Rubber (KL RSS No 1 Jan)	296.5m	-1.5
Coconut oil (Philippines)5	\$570z	
Paim Oil (Maleysian)5	\$400.0 \$385	-2.5
Copra (Philippines)5 Soyabeans (US)	\$385 \$180.5q	+0.5
Gotton "A" index	62.30c	+0.45
Wooltops (64a Super)	616p	
2 a tonne unioss otherwise	stated. p-pe	nce/kg.
e-cents/ib. r-ringgit/kg. 2-De	c/Jan. w-Feb	. v-Apr/
May. u-Mar. q-Jan. TMeat C		
	from a wee	
VLondon physical market.	SCIF Rotter	iam. 💠

Buillion market close. m-Malayalan cents/k

COCOA E/tonn			LONDO	N METAL EXC	HANGE		(Prices supplie	d by Amelgam	ated Metal Trading)	U	S M	ARK	ETS		CN	_	-	00 US galis	_	C	hicag	10	
Close	e Previous	High/Low		Close	Previous	High/Low	AM Officia	i Kerb cica	e Open interest	IN		-	ading wa			Lator	Previo	us High/Lo	<b>Dela</b>	_	_		
799	797 825	806 797 836 821	Alaminiu	ica, 90.7% purit	ty (5 per tonne)			Ring tu	mover 14,400 tonne	ligh	it as m	LITY BWE	it the trac	e figure.	Feb	15.94	15.72	\$6.17 15.75	15.90 16.45		Cices	,000 bu min	_
834	827	839 827	Cash 3 months	2480-5 2400-5	2530-40 2450-5	2420/2380	2455-6 2382-6	2405-10	23.997 lots	rep	orts Dr	enel Bur	nham La	mbert.	Mar	15.27	15.54	15.55	15.25	Jan	785/4	Previou 769/2	767/
828 834 840 841	833 835	844 835 843 839	_	sa, ML 5%, parky					urnover 4,860 tonne	60	news o	t o oertis	i the mos	t active day ent in the		15.17	15.43	15.42	15.14	Mar	777/0	781/6	770
841 2005 7 875	800	806 861 876 870	Cash	1325-36	1340-50		1330-5			mir	ters str	ice was	noted. Pr	ces sank	Jul Aug	15.10	15.34	15.31 15.26	15.05	May Jul	782/6	786/0 785/4	784
	0 (4602) lots (		Dec. 21	1305-10	1330-5		1305-10		6,864 iots					tract. In the	Sep		15.50	15.28	15.28	- Sep	770/2	775/0	771
CO Indicato	r prices (80)	As per tonne). Delty	Copper,	Grade A (£ per				Ring tu	mover 58,700 tonne	25	und an	d some	rade sel	ain lower	HEA	TING OIL	42,000 US	gelle, conta	/US galls	Nov	697/4	730/0 701/0	730
	3: 1106.09 (11	1083.33):10 day aver- 10.10) .	Cash 3 month	1848-53	1925-30 1683-4	1885/1845	1863-4	1541-5	80.871 late	WB	kened	prices.	March/Ma	y switches		Latest	Previo	ve High/Lo	w	Jen	704/0	707/0 .	704
				S cents/fine og					Ring turnever 0 czs	wer	B HOEV	ly trade	d in the d	ay. Coffee	Jan Feb	4845	5020	5020	4835	301	_	. 60,000 fbe	
_		· · · · · · · · · · · · · · · · · · ·	Cash	611-4	612-5		610-2			buy	ing. Su	gar futur	OS WORE	ower but	Mar	4615	4095	4095	4610	Dec	22.95	Previous	_
ATTRE 2/1014			3 month		625-8		624-6	_	487 lots	rec	ent sup	port and	resistan	e levels	Apr	4375	4441	4305	4235	Jan	23.05	23.58	23.
Close			Leed (C	per tonne)	1			Ring t	urnover 4,725 tonne	wer	e not b	Invitient. T	he grain	markets all nd wheat	Jun	4200	4230	4240	4100	Mar	23.54 24.03	24.08 24.57	23.
n 1110 Nr 1117	1118	1125 1100	Cesh 3 months	396-8	366-400 386-90	400/399	390-400 385-6.5	286-7	11,541 lots	futu	Tes we	e both s	lightly lo	wer while	Aug	4270	4286	4270	4270	May	24.50	25.00	24.8
sy 1109	1111	1119 1105	_	per tonne)					turnover 782 tonne	0017	was f	m. in th	e meats.	cattle	Sep	4345	4336	4845	4345	- Sep	24.60 24.72	25.10 25.17	24.9
p 1113	1120	1122 1115	Cesh	15800-900	16450-600	18000	15900-50			-	rofit-bal	ing. Sice	w carcase	e mostly	000	Cicee	nee;\$/tonn			- Oct	24.75	26.20	24.7
1113		1115	3 month	6 14500-50	14800-900	14700/142		14450-500		trad	e may i	elso be a	a factor (r	the hog	Dec	1350	Previou 1395	1360	1345	SOY		AL 100 tons	
	prices (US c	cents per pound) for		ecial High Grad		_		Ring	turnover 503 terme	and	belly n	HATKELS,	can yove	technical	Mer	13/8	1385 1397 1408	1405	1873		Close	Previous	
c 12 Comp		6 (117.18); . 15 day	Cash 3 month	1535-45	1545-50 1520-5		1535-7 1495-500	1495-500	1.654 lots	Exp	ectation	that lar	ge hog n	ins will be	Jul	1392	1411	1412 1417	1386 1363	Dec Jen	245.1	243.8 244.8	244
				er torate)					mover 11,850 torme	end	ng now	Was no	ted. Cotte	n futures	Sep Dec	1412	1418	1413	1408	Jen Mar May Jul	244.7	244.7	245
			Ceeh	1540-5	1545-50	1534/1590	1533-5			Ner	o snarp ni was	leit to be	as Mond bearlah	ays crop	Mar	1440	1448	1440	1440	Jul	237.5	243.2 238.5	242
GAR (S per	tonne)		3 months	s 1480-5	1496-600	1485/1455	1470-5	1460-2	12,048 1058	grou	ps wer	e the da	ya best a	ellers in	May	1457	1463	0	_0	Aug Sep	226.0 221.0	229.0	232
T Close	Previous	High/Low	POTATO	ES 2/tonne			LONDON BUT		π	mod	erate v	olume. (	range of	contiuned	COTT	Ciose	7,500lbs; c Previou			Oct	210.5	209.0	211.
r 252.8		256,40 251,40 256,60 252,00		Close Previ	ious High/Low		Gold (fine oz)		inelaviupe 2				for some		Dec	130.50	130.50	132.25	130.00			min; cents/	56lb bu
9 244,4	0 247.00	248.40 243.80	Feb	86.0 86.0	1			4202 -4204	2291-2301				o indicate	either	Mar	128.82	129.43	130.70	126.70	_	Close	Pravious	High
t 239.6 c 235.6		241,60 238,20 238,00	Apr	98.5 95.5 109.3 111.2			Opening	41912-420	228 2-229			wer pric			May	126.40	125.85	127.95	125.30 124.50	Dec	205/2 275/4	281/4 272/2	205/
the Close		High/Low	May	100.3 111.2			Morning the Alternoon fix	420.05	229.355 229.781	Ne	W I	/ork			Jul Sep Dec	123.51 122.50	124.70	125.35	124,50	Dec Mar May Jul	281/0	277/0	281/
298.0		295.00 291.50	( Unique					420-14-421 4 410-12-420		GOL	100 tros	oz.; \$/tro	Y 02.		Mar	120.25	122.00	124,50 0	124.50	Sep	282/8 265/4	279/2 263/4	283/0
y 208.5		291.20 286.00								_	Cicse	Previo	_		May	120.00	119.62	0	0	Dec	260/2 265/4	258/6	200/0
		lots of 50 tonnes.	SOYABE	AN MEAL STOR	1718		Colts	enice	2 equivalent	Dec	419.8	420.1	421.2	419.5	\$UGA	A WORL	112 112	,000 fbs; ca	nts/jbe	When a		264/4	265/4
nite 1011 (18		ne): May 1750, May		Close Previ	ious High/Los	<u> </u>		433-438	257-240	Jan Feb	421.8	424.6	0 425.6	0		Close	Previous	High/Los	N	_	Cicse	min: cents	
30, Aug 173	0, Oct 1675, 2	Dec 1670, Mar 1678	Feb	160.00 161.0			Britannie	33-438	237-240	Apr	429.7	430.1	4\$1.0	423.3	Mar	8.50	10,01	9.90 11.74	9.85	Dec	427/0	Previous	
			Apr	162.00 162.5				433-438 431-436	237-240 235 3-236 32	Jun	435.3	435.7 441.5	436.5	435.0	May	11.17	11.36	11.25	11.54	Mar	427/8	428/4 429/0	428/0
				56 (103) lots (	of 20 tonnes.		Krugerrand	120-125	230-232	Aug	446.8	447.2	0	0	Jul Oct	10.85	11.08	11.01	10.85	May	412/4 386/5	411/4	412/4
		E TRADED OFTICHES						99-100 99-100	64-54 k 54-54 k	Dec Feb	452.5	452.9	454.0	452.0	Jan	9.54	9.06	0	0	Sep	350/4	384/4 367/4	387/0
uminiom (99.		Calls Puts						506.55-806.40	325 10-830.45			troy oz: \$			Mar May	10.35	10.46	10.41	10,41	Dec	396/8	387/0	399/
like price \$			FREIGHT	FUTURES \$10	_					-	Close	Previo			_	_	conta/lb			LIVE		000 libs; car	ds/lbs
00 00	167	186 13 88 134 40 134		Close Previ			Silver Dr.	Alle oz	US ats equity	Jen	590.0	589,1	694.5	587.0		Close	Previous				Ciose	Previous	High
XQ	45	94 90 191	Dec	1525 1525 1553 1548	1531 152 1555 155			335.35	614,10	Apr	567.0	586.6	591.5	586.0	Mer	67.56	59.19	58.62	57.18	Dec Feb	72.45	72.42	72.60
pper (Grade	A) (	cella Puta	Jan Apr	1594 1563	1586 158	0		345.85 358.85	625.00 642.20	Jul Oct	585.0 587.0	595.5 596.6	590.0 591.0	588.6 586.0	May	57.90	59.55	59.00	57.60	Apr	74.07	72.15 74.15	72.22 74.20
0	341		Jul BF1	1391 1389 1515 1514	1400 139	1		377.25	671,40	Jan	588.5	538.1	0	0	Oct	56.18 57.05	59.77 58.85	58.20 58.20	57.90 57.00	Jun Aug	73.05	73.00	73.20
	265 145			344 (194)						SILVE	R 5,000	TOY OZ. 08	nts/troy oz		Dec	57.30	58.45	57.95	56.90	Sec	69.60	71.05 68.60	71.10 0
	140			And field			CRUDE OIL SA	arrel			Close	Previou	s High/L	w	ORAN	GE JUICE	15,000 lb	; cents/libs		Dec	70.05	70.00	70.20
								cse Previou	High/Low	Dec	616.8	616.9	615.0	814.0	_	Cicse		High/Low		LIVE H		0 lb; centa/	71.20
OTTON			GRAINS	E/tonne			1	55 14.58	14.72 14.53	Jan Feb	619.5 624.3	619.9	0	0	Jan Mar	157.50	168.50	169.25	167.00	_	Cices	Previous	
herecol-S	pot and shipn	amounted to 364	Wheat	Close Previ	ious High/Low		Mar 14	.84 14,43	14.54	Mar	624.5	629.8	621.5	625.0	May	165.00	165.20	t65.90 185.40	164.30	Dec	42.62	42.77	High
		a in the previous	Jan	110.35 110.8				.\$1 14,48		May	638.6	639.9 650.5	641,0 651,5	649.0	Seo	165.00 164,50	165.70	108.25	164.50	Fab	46.05	45,87	42,86
eek. Tradin	ng was very k	ow during the		114.05 114.6 117.20 117.7		7.10	Turnover: 7617	(1108)		Sep	660.9	651.0	661.5	658.0	Sep	163.65	164.25	164.00	164.00	Apr Jun	45.00	44.62 48.45	45.22 48.85
vest African		rest in Turkish and	Jun	118.60 118.1	0 118.60					Dec. Jen	676.5 650.9	676.5	676.5-	0	360	158.90	159.25	0	0	141	49.30	48.82	48.85 49.87
			Nov	104.85	104,85 10	M./D	GAS OL S/ton	ne			10.00	_	-	_						Aug	46.30 45.10	48.20 45.10	48.70
		}					Close	Previous	High/Low	COPP	-	Q ibs; cen			REDH					Dec	46.40	45.40	46.50 46.40
					_		100 641 5	149.50	145 00 441 00		Close	Previo	ns High/Lo	W	DEST	and share		her 18 1001	_	Charles a		-	

145.00 143.00

145.00 145.00 142.00 140.00 137.25 135.00 132.50 131.00 132.55 128.50 127.25 125.50 126.50 125.50

100 tennes

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156.50 148.00 140.50 135.20 127.20 124.30 121.50 118.00

158.10 143.00 0 132.00 124.00 121.70 118.50 116.00

151.65

125.20

121.10 116.20 116.00

Dec Jan Feb Mar May Jul Sep Dec

152.00 142.00 134.25 128.00 121.20 118.20

115.20

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#### LONDON STOCK EXCHANGE

### Share rally fades in late dealings

A SUCCESSFUL rally in the UK stock market, sparked off by a belatedly favourable response to the fall in domestic retail sales last month, ran into the sand yesterday when news of a jump in US retail sales in November sent the dollar ahead and revived fears

on the other side of the Atlan-UK equities rose smartly in the first half of the session, encouraged also by comments from Mr Nigel Lawson, the UK Chancellor of the Exchequer, who advised questioners at a by-election meeting "not to count on" further tax cuts in the next Budget. He added that

that interest rates might rise

	at Dealing	Dates	longe
Nov 28	Dec 12	Dec 28	Ho retail
Option Declarat	Dec 22	· Jan 12	a we
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of a slowdown in consumer spending. While neither development

would be entirely good for equities, they would reduce inflationary pressures, and thus ancourage hopes that upward pressure on domestic interest rates may not be pro-

#### rever, yesterday's US trade. sales figures, followed by k start on Wall Street n the New York bond et, quickly cut the ground under London equities. e end of the session, an gain of 15 points on the Index had been reduced net rise of 4.7 at 1752.6. irket analysts were

pleased to see equities steady at the T-SE 1750 mark, but agreed that turnover is still disappointing. Seaq volume total of 473.9m shares, against 460.7m on Monday, was helped by two small programme trades - one buy and one sell operation - but again took in

a good deal of intra-market some of the export blue chips.

London remained very ner-vous ahead of today's announcement of the US trade figures for October, for which London analysts predict little change in the \$10.5bn deficit recorded in September. The 1.1 land. per cent gain in US retail sales for November disclosed yesterday was about twice the estimates of analysts in the UK. Worry over international rates is heightened by the current meeting of the US Federal Reserve Open Market Committee and tomorrow's press con-ference at the West German Bundesba The dollar's firmness helped

There was strong demand for oil shares, with the majors bought on a yield basis and the second line stocks featured by Premier Oil, which confirmed an oil find in the Gulf of Thai-

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The market remained so convinced that BP will soon dis-close the sale of its mineral interest to RTZ that some traders suggested that BP will use the proceeds, which would be around \$3.5bn, to buy back Opening @10 am. @11 am. @12 pm. @1 pm. @2 pm. @3 pm. @4 pm. 1418.9 1427.0 1434.0 1431.2 1427.4 1423.5 1421.5 1425.0 shares from the Kuwait Invest-ment Office which is required by the UK Monopolies and Mergers Commission to reduce its BP stake from just under 22 per cent to below 10 per cent.

one of two specific areas were slightly below expectations." according to analyst Chris Tucker. Lucas rose 11 to 527p: the company proposes to issue £100m-worth of bonds due 2020. £100m-worth of bonds due 2020. Rolls-Royce, up a penny at 125%, said that they will co-op-erate with Alfa Romeo Avio Spa on the latest Tay turbofan aircraft engine project. Vickers rose 13% to 158%p with a Cabi-net committee decision on the future of the Challenger tank arroad before Christmas

New Issue December 14, 1988

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Government Secs	86.65	86.79	86.77	86.97	87.24	87.98	(18/4)	86.29 (12/9)	127.4 (9/1/3	a <u>(a</u> v	9.18 1/75)
Fixed Interest	95.51	98.65	96.67	96.50	98.55	98.55	98.67 (25/5)	94,14 (8/1)	105.4 (26/11/	r7) (3/	1.53 1/75)
Ordinary	1425.7	1422.4	1429.4	1437.1	1451.0	1332.0	1514.7 (8/8)	1349.0 (8/2)	1926. (16/7/8	7) (26	9.4 16/40}
Gold Mines	173.2	174.8	176.8	176.7	177.8	327.5	312.5 (7/1)	162.7 (22/9)	734.7 (15/2/8		3.5 10/71)
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PINANCIAL TIMES STOCK INDICES

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#### TRADING VOLUME IN MAJOR STOCKS

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	ationy Scheropers	2,400	165	-14	Japan	171	251	-2	Sals Rost		301	-15	Waterenth Hidda			

year" at yesterday's annual meeting. Poor preliminary fig-ures lowered Kleen-E-Ze 55 to

The property sector had a better day than of late with dealers reporting, "legitimate business between clients that

Bid speculation in Mountleigh, refuelled by the sale of its 7.3m share stake in Wem-bley, was heightened by news later in the day that Galerias Consortium had not taken up its option to buy 16.7m Mountleigh shares. The move leaves

Galerias with an interest in

Galerias with an interest in 30.3m (13.9 per cent) of Moun-tleigh stock. Trade in Mountleigh, up 5% at 159p, was brisk and left one dealer saying: "There is defi-nitely more in this than meets the ave " his intentions towards the UK group - he is the major shareholder with a 21.5 per cent stake - to the financial press at a meeting held in London the eye." yesterday.

Depressing first-half profits coupled with a cash call for \$4.7m - a rights issue of convertible preference shares is proposed - npset Aitken Hume, the financial services group. The ordinary shares retreated to a new 1988 low point of 49p, down .5. Smith New Court similarly slipped to the year's worst of 135p, a fall of 9, reflecting fears over the continuing low level of market

> including FT-Actuaries Share Index and London **Traded Options, Page 27**

Other market statistics,

35

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Equity Sargeins Equity Value

London Report and Im

dex; Tel. 0898 129001

volume of 4.2m before closing

just a penny easier at 344p. Mr Alan Bond gave few hints of

Turnover in traded options was again dominated by the

rise of FT-SE 100 index trading,

which covered almost a quar-ter of all dealings. Overall deal-

ings totalled 32,157 contracts, consisting of 17,721 calls and

14,436 pnts. Dealings in the index came to 2,359 contracts

on the call side, and to 5,469 on

156.6

the put.

All these Bonds having been sold, this announce-

ment appears as a matter of record only.

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### **GEC** bid stories revive

Electronics leader GEC was one of the day's most active one of the day's most active stocks as the market picked up fresh hints of a possible hid for the group and also the news that the GEC/Stemens joint hid for Plessey is to be formally investigated by the European Commission (EC). GEC shares imade strong tragence in close 6 inade strong progress to close 6 ingher at 184p. Turnover of 11m was boosted by a single trade of 5m at 174%p, said to be the completion of a "bed

21Sp on turnover of 4m. Buyers were in for GEC at the outset, with one securities house said to have been an

warenouse, 18915 TH: European be aun. 39 39 per centi teste ,ots in Ta IVM: European in באת אל לאי שווב

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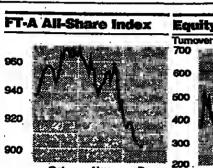
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attact renewed investment interest following clearance of the last regulatory hurdle to its



reported steady rather than sustained inquiry as turnover increased to 2.9m shares.

Nov

#### **BP** active

Oct

and breakfast", or tax loss deal, initiated on Monday after-noon. Plessey, unsettled by the EC reference, were 2 easier at

aggressive buyer of the shares as the bid stories did the rounds. Talk of a bid for GEC. perhaps from either a European consortium or one of the US electronics giants, has been around for some time. Yesterday's speculation was, firstly, the old story that Han-

son, which recently increased its borrowing powers, could be interested in launching an offer for the company, A later angle was that a consortium of Plessey; British Aerospace and one other company was about to make an offer for GEC. One electronics analyst shrugged aside the Hanson talk, but did

not dismiss the consortium bid story. News of the formal investigation by the European Commission of the joint bld for Plessey on competition grounds came as no great surprise to the mar-

Last BAT hurdle

**BAT Industries** began to bid for the US Farmers group. Insurance officials in the US



shares. Recent broker's downgradings have depressed senti-ment. ICI rose 7 to 985p, helped by the weakness of sterling against the DM, although turn-over was again thin at less than 800,000 shares. Beecham was 2½ better at 461p on talk

of a New York seminar, According to the analysts at Kleinwort Benson Research, shares in Wellcome, michanged yesterday at 101p, have now declined by nearly 17 Contrast

NEW HIGHS (10

per cent against the All-Share index over the last two months. The analysts recommend underweight funds to exploit this weakness and move to a neutral position. document on disclosure today. Smith and Nephew, well Pearl came under heavy presrated after recent results; also sure and fell to 374p at one finds favour with the Klein-wort toam. In their latest down at 379p; the early selling

followed the death of Mr Larry Adler, chairman of Australia's **Equity Shares Traded** FAI insurance group, which has built up a stake of around 12 per cent in Pearl. Tumover by volume (million) Insurance brokers featured sustained selling of Bradstock

mph. which fell to 174p before clos-ing 17 down at 171p ahead of full-year figures expected on Thursday, BZW is forecasting pre-tax profits of £6.5m against last time's £8.6m. Lloyd Thompson suffered in sympa-thy and dropped 8 to 182p.

Dec Oct Nov Dec Investors' Brief published today, Ian White and Barbara Arzymanow hava npgraded their stance on the shares to 'bny'. Technical factors lie behind the change - the shares have underperformed by some The stories that RP is about have underperformed by some to sell its minerals division to 20 per cent since the beginning of 1988 and now stand at a rela-RTZ for a massive \$3.5bn gained in strength as the day tive price low. Smith & Nephew's recent £126m acqui-

sition of loptex is seen as sensible and likely to make an immediate contribution to earnings per share. BOC continued to be marked down, closing another 5 lower at 391p, while Hanson edged forward to 149%p despite some profit-taking by institutions. ADT rose 2% to 117%p amid

talk of US buying after a a New York presentation. Shell were not far behind BP and pushed up 5 to 336p on turnover of 5.5m - "a belated reaction to Monday's scrip

issue," one trader observed. British Gas - turnover 11m were a firm market and - were a firm marker and edged higher to 159%p, after 162p. Premier highlighted the smaller oils, racing up 5 to 59%p, after 61p, on news of the exciting oil discovery off the coast of Thailand, news of which was followed by a meet-ing of the company and energy shares closed down 4 at 165p with County NatWest Wooding of the company and energy analysts. Philip Lambert at Kleinwort Benson says the

mac saying that it was sticking with its £117m forecast for next Thailand block "is as large as 40 North Sea blocks and could add 50 per cent to Premier's proven reserves". Life assurances gave further ground with dealers expecting

the Securities and Investments Board to issue its discussion

Storehouse, up a penny at 189p in turnover of 1.8m, helped by continued speculative interest. The company said that it was aware of INOCO'S 4 per cent stake, but would not comment on its implications. Dealers poured cold water on it with a terse: "no genuine hold-ing - its all speculation".

changes from day to day. Next,

of 134p, continued to attract interest as analysts tried to shed light on prospects for the

Fine Art Developments rose

13 to 212p following its agree-ment with Otto Versand, Ham-

company.

Boral group and UK plaster-board group BPB were men-tioned as likely predators. Stores saw some big trade with dealers saying that the sector would remain volatile until the New Year as the direction of retail sales

to nnish 4 better at 154p, unlike Tesco which lost a penny to 131p on a substantial late "switch" into Asda. Suter tumbled as the sur-prise Ladbroke bid for Thom-son T-Line put its proposed merger with Thomson in doubt The Ladbroke offer is

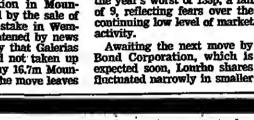
doubt. The Ladbroke offer is conditional on Thomson shareholders rejecting the bid for Suter, which closed 11 down at 187p. Thomson moved up 13 more to 90p on thoughts that

often the beneficiary of RTZ bid speculation, responded to higher-than-expected annual profits, while Smiths Industries gained 9 to 247p after the chairman spoke of "continued confidence in the outlook this

340p but the divestment of cer-tain non-core activites lifted Oakwood 17 to 428p. USM-listed Creighton Laboratories fell 7 to 365p, the excellent interim results having been discounted, and Havelock Europa dropped 15 further to 170p, still on the abysmal halfyear statement.

provided better volumes". Land Securities rose 6 to 554p.

Awaiting the next move by Bond Corporation, which is expected soon, Lonrho shares



burg, the world's largest mail order operator, to establish a joint operation. The company Ladbroke would have to increase the offer of 80p cash per share to win control. issued 3.7m ordinary shares at 216p to Otto Versand as part of the deal. Ratners' rights issue English China Clays, so

to help finance purchases from Next attracted a poor response — of the 48m shares offered only about 35 per cent were taken up, with the balance going to the underwriters. The

expected before Christm The food sector, set alight

Yesterday brought stories that a bid for the group is imminent to 155p in turnover of 7m on the back of a top-of-the-range and names such as Australia's 23 per cent increase in pre-tax profits at the half-way stage. The company also plans to buy

#### in up to 10 per cent of its equity, some 80m shares. Bejam held on to early gains to finish 4 better at 154p,

Marley, the building materi-als group, staged a determined early on by a programme trade, fell back on US retail sales figures which increased fears about growth in the rate and strong advance, closing 8% higher at 146p in extremely heavy trading, as bid specula-tion returned to the shares. of inflation. Gateway rose 3%

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State of Oregon have reversed their orginal decision to veto the offer, and all that remains

new is for Farmers' sharehold-ers. to approve the proposed takeover at a special meeting to be held in Los Angeles today. Most analysts have a high

regard for the stock and several re-issued buy recommendations, although a US credit agency has seen fit to downgrade BAT Industries' debt rat-ing because of the impact of the acquisition. Buyers were undeterred by mid-session uncertainty which pared the good rises in most blue chip issues, and BAT shares settled 7½ up at near the day's high-est of 441p. Marketmakers

#### NEW HIGHS AND LOWS FOR 1988

NEW HIGHS (10), MANOS (1) CTIDA, HOL, STORES (1) Liberty, ELECTRECALS (1) GEC, DBUISTRALS (4) Arbs-Lavel 'B', Marting Ind., Nu-Smit, Sanders & Siday, TRUETS (2) Archimedos bc, Kores Eorope, MINES (1) Fra. Pist. NEW LOWS (133), MINTEH FUNDE (17) CORDEATION LOANS (1) GLC 64 pp TO-42, LOANS (1) Nu-Ida (2) Nat. West, Union Discourt, BURLINGS (2) Notional Austin, Harrison Inds, STUPIES (1) BURLINGS (2) Notional Austin, Harrison Inds, STUPIES (3) Notion Inds, STUPIES (4) NAME (5) Notion (5) Alchab Inds, (T.), Kloon-E-Ze Hidgs., Myson Grp., Padd Grp., Seefeld, Tomlána, Da. 5.5pc Cr. PL, Waltlington, Williams Hidgs., Wills Grp., Whitington, Williams Hidgs., Wills Grp., BHOHMANCE (B) Braddatock Grp., FAI Ima., San Lis, LIBHINE (D) SolecTV. TVS Ent. 7.4po Pl., MOTORIS (1) Jeanups., MEMBERAPHEIR (D) Infl. Bas. Comma., Und. Ninespearen, PAPERIE (D) BeB Debrig Grp., Fitch, Do. Gp Ce. PL. Hoknes Manzhan, Harres NVY 'A'. Kelson, Cesprey Gomma., Pathioders Grp., Presers (M.), PROPERTY (6) BHI Grp., Bradwell Laid, City Gate Est. 3-pp Ce. PL, Lon. & Edit. Tet. Opc Cu. PL, Morchest Manzie. Ests., Shield Grp. 5.40pc Net Cv. Cn. PL., TEXTLES (3) Bealos (14), Lorer (PLA), Total T. Jan., Caspes (30) GHI (30), Bis American Pet., AmBett MCL, BOM Hidgs., Bus Rear, Caspes OK. Cytember Pet., Mortnes, Petrocon, Cytember Pet., Mortnes, Petrocon, Cytember Pet., Mortnes, Petrocon, Cytember Pet., Netros, Caspes OK.

Meanwhile INOCO, up 4 at 40p, announced that it is involved in talks with another company which may lead to a bid. Interim figures from the two Racal companies, Electronics and Telecom were in line with

estimates. The latter's shares picked up 2½ to 161½p on turnover of 3.3m, supported by good demand for the ADR's and what was said to have been a mildly bullish post-fig-ures meeting between the com-pany and analysts. But Racal Electronics shares

came under modest pressure and closed 4 down at 259p; Kleinwort Benson shaded its full-year forecast from £190m to £185m, "on the grounds that



### **Kingdom of Belgium**

DM 300,000,000 5 1/4 % Bonds due 1993

#### APPOINTMENTS

**Board** posts at Triplex Lloyd

Mr. Norman Price and Mr David Mason have been appointed directors of TRIPLEX LLOYD from January 1. Mr Price was managing director of Seamless Tubes, a subsidiary of British Steel and TI Group, and Mr Mason was a divisional managing director of Myson. For the purpose of the Tripler Lloyd offer for Christy Hunt they will serve as non-executive directors until December 31. Mr J.R.M. Phillips, an executive director, has retired.

■ MORGAN GRENFELL has appointed the following to the board of Morgan Grenfell & Co., from January 1: Mr C.B.R. Beauman, Mr S.R. Bell, Mr J.P.S. Crawford, Mr R.J. Halcrow, Mr R.W. Heyman, Wr G.S. Unitors Wr A. Seton. Mr G.S. Hutton, Mr A. Seton, Mr G.V.B. Thompson, and Mr R.I. Tolkien. Mr J.R. Walton has been appointed to the hoard of Morgan Grenfell Asset Management, also from January 1.

. Mr Andrew Wakeling has been appointed managing director of LONDON LIFE, subject to the approval of the DTL

PARKFIELD GROUP has appointed Mr Stan Keyworth,

LEGAL & GENERAL has appointed Mr David Rough as director of its UK equities divi-sion. He was head of Royal Life's conventional funds investment division.

managing director of the new manufacturing division, to the board. Mr John Leeding has been appointed divisional managing director of Parkfield managing unrecur of rarknam Wheels, and Mr Roger Burdett becomes divisional managing director of Parkfield Castings. Mr David Fischel has been

appointed finance director of CAPITAL & COUNTIES. He is finance director of TransAtlantic Holdings, the parent company.

Mr Andrew J. Brown is to be appointed finance director of GARTMORE INVESTMENT MANAGEMENT. He is finance

director of Sedgwick, and chairman of Sedgwick Management Services. Gartmore is a subsidiary of British & Commonwealth Holdings. SQUARE D UNITED

KINGDOM, Swindon, has appointed Mr Roger Parker as executive director manufacturing. Mr David L. Pinder has been appointed director and general manager of SUPRA AUTOMOTIVE following the retirement of Mr Peter

Dighton. Mr Pinder was home sales manager. Mr Dick Gesmararian has been appointed managing director of WESTPAC BANKING CORPORATION,

London, following the retirement of Mr Warren Magi from the board and as managing director of Mase Westmac. Mr Raymond Cooper, until recently a partner with stockbrokers Spencer Thornton Northcote, will join MacINTYRE INVESTMENTS as portfolio director from January 1.

COMPLIANCE has appointed Ms Marian Smith as sales and marketing director. She was sales and marketing manager.

HOSKYNS GROUP has appointed Mr Peter Birch as a non-executive director. He is group chief executive of

Dr Amar J.P. Sabberwal (above) has been appointed an executive director of T&N executive director of T&N from January 1. He will be responsible for group cumpa-nies involved in speciality res-ins, plastics, composites mate-rials and enginaering ceramics, as well as for T&N Technology.

Abbey National Building Society.

🔳 Mr Peter Moderate has been appointed a director of DOMESTIC AND GENERAL GROUP where he is responsible for the group's information technology services.

🖬 Mr Peter Wrangham, an executive director of The Hongkong and Shanghai Banking Corporation, has been appointed a non-executive director of MIDLAND GROUP. Mr Kenneth Barker has retired as a non-executive director.

	WESTDEUTSCHE LANDESBANK GIROZENTRALE	
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5 It's not easily carved by one

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I Be careful with money, investing a thousand in share certificates (6) 4 Foreign money not returned but forwarded (4,2)
8 Drink alcohol as a prop (7) 7 9 Get back into the middle of the procession (7)

11 Flowers put into the ground in London (10) 12 Impor -anc-? (4) 13 A capital seat I snuggle into

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20 An odd kind of plant (4) 21 It doesn't matter if only one of the twins hesitates (4,6)

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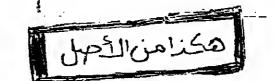
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8 A marsh plant providing a variety of materials (5-4)

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piza vest sest per bey sbse star	Berty Hes, Athol St, Donpiss, Iolai     Distance Head     House Head, John St, Donpiss, Iolai     Distance Head     House Head, John St, Donpiss, Iolai     Distance Head     House H	Construction         Construction<	1014 -012 732 Liberty ALL-STAR World Equity Portfoli 50.04 -0.17 - Liberty ALL-STAR World Equity Portfoli 50.04 -0.18 - MAV Dec - 50.22 - 50.02 50.09 -0.03 - Liberty ALL STAR World Equity Portfoli	1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	100 96 [ Do 10 [ Do 17.7.89
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	Box 273, SJ. Peter Port, Gorman, 201, 201, 201, 201, 201, 201, 201, 201	Statur 1 511.90 Custa State Periodican anagonent Liti anagonent Liti anagonent Liti anagonent Scatt Magnat Liti anagonent Magnat Magnat Liti anagonent Magnat Magna	based on data         14.6.260         EDIT         EDIT <th>Aid Offer + or Yield</th> <th>Bid         Offer         + or         Yield         Bid         Offer         + or         Yield         Alticen Rente           Price         Price         Price         Price         Price         Other         + or         S0 City Road, ECIY 2AY, Treasury Acc         01-638 6670           Wortdwide Nearcy         Face         Free         Price         - Gerss         10 75         8.25         11.35         0r            S25 1397          Too Brand Fred Inti-SECAV          Nate of Sci000         10.35         8.25         11.16         Nate            S25 1397          Too Brand Freid Band, Trest         10.0000         Bank of Treland High Inderest Cheepus Acc         30 City Road, ECIY 2AY, Treassury Acc         10.35         Math ic City Close Cool         10.35         Math ic City Close Cool         10.75         8.25         11.45         Nath            Sci Sci Sci Too          Sci Sci Too         Nath         Sci Sci Too         30 City Road, ECIY 2AY, Treassort Band         Nath         Nath</th>	Aid Offer + or Yield	Bid         Offer         + or         Yield         Bid         Offer         + or         Yield         Alticen Rente           Price         Price         Price         Price         Price         Other         + or         S0 City Road, ECIY 2AY, Treasury Acc         01-638 6670           Wortdwide Nearcy         Face         Free         Price         - Gerss         10 75         8.25         11.35         0r            S25 1397          Too Brand Fred Inti-SECAV          Nate of Sci000         10.35         8.25         11.16         Nate            S25 1397          Too Brand Freid Band, Trest         10.0000         Bank of Treland High Inderest Cheepus Acc         30 City Road, ECIY 2AY, Treassury Acc         10.35         Math ic City Close Cool         10.35         Math ic City Close Cool         10.75         8.25         11.45         Nath            Sci Sci Sci Too          Sci Sci Too         Nath         Sci Sci Too         30 City Road, ECIY 2AY, Treassort Band         Nath
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	Argins Sig High Yill     107.65     FBSC     FBSC       Argins Sig Bard     C10.15     International       Argins Sig Cary Gal     C10.15     International       Argins Sig Cary Gal     C10.15     International       Argins Cary Gal     C10.15     International       Bibliotic     C10.05     International       Bibliotic     C10.01     Do. 082       Bibliotic     C10.01     Do. 082       Bibliotic     St.03     International       Bibliotic     St.047     Do. 082       Bibliotic     St.047     Do. 084       Bibliotic     St.047     <	Co. (Jersan)         Lini         Sector 20 (Sector)	Sense (1996)	Alight Legament         Vyr9600         0000         000         000	Interfer
	OTHER OFFSHORE FUNDS	Statistics         Statist	Bits         Status         Status <th>SCL/TECH SA SCL/TECH SA SCL/TECH SA SCL/TECH SA Schre Fond Mingt Ltd Future Fond Mingt Ltd Future Fond Same Sch Filmerick * Same Sch Filmerick * Sch Filmerick</th> <th>SF/2.36        </th>	SCL/TECH SA SCL/TECH SA SCL/TECH SA SCL/TECH SA Schre Fond Mingt Ltd Future Fond Mingt Ltd Future Fond Same Sch Filmerick * Same Sch Filmerick * Sch Filmerick	SF/2.36
1.1.1.1.1.1.1.1.1.1.1.1.1.1.1.1.1.1.1.	Starting Frank Finds (Sci 20, 127)     Starting Frank (Sci 20, 127)     Starting Frank (Sci 20, 127)     Adams, A. Martie Frank (Sci 20, 127)     Adams, A.	Angement S.A. In D.S. 9. J. Employed Characteristics and the second statement of the second statement	Image: Second	init Bend         510 42         112 4         -         Fill Control         Fill Control         Fill Control         -         Fill Control         Fill Control         Fill Control         Fill Control         -         Fill Control         Fill Contro<	And Growth Fund (1900)
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	Dato         Dato         Stratus         Fidelity         Interpretation           Alchas Infit         Assumance (Barranda)         Fidelity         Fidelity         Fidelity           Constructory         Stratus         Valuation         By 200	Jan 10         42.2         43.3         40.2         Jan 10	Namera Predential For Pt II           Statice interaction and the state of the state o	Schröders Asia         Linik Europa           Autor Fand         Sch. 22         6.66         Padroues. Reformance Reformanc	1120       127000       -0.00       -         1120       127000       -0.00       -       -         1120       127000       -0.00       -       -         1120       127000       -0.00       -       -         1120       -0.00       -       -       -       -         1120       -0.00       -       -       -       -         1120       -0.00       -       -       -       -       -         1120       -0.00       -       -       -       -       -       -         1120       -0.00       -
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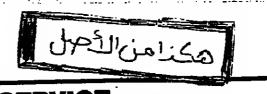
## LONDON SHARE SERVICE

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d.

AMERICANS-Contd i E	BUILDING, TIMBER, ROADS	ELECTRICALS	ENGINEERING-Contd	INDUSTRIALS (Miscel.) Contd	TNDUSTRIALS (Miscel.) Contd.	
1982         Price         + sr         Bit         17%           19         144,0USX SI.         5         -         Grass, ICW IG*'s           1400         440%/Uritab.         12581         -         -         4.9         High           244,01         7581         -         -         -         -         -         4.9         High           244,01         7581         -         -         -         -         4.9         High           244,01         7582         -         -         -         -         4.9         High           244,02         270%/Uritilitect inc         133m         -         -         0         -         11           244,125         244,01         Westi         -         132m         -         6.0         12         12         12         14         14         -         12         12         12         14         14         6.0         -         12         12         12         14         14         6.0         -         12         12         12         14         14         6.0         -         12         12         13         14         12         12         <	Contd See   + ar bb   M/di Juny Stat   + ar bb	1958         H- ar)         Div         Mmil           2403 AB Destronic         B         3777         15.0         29.3         8.7           111         7043 B Kern         B         3777         15.0         29.3         8.7           123         1248 B Destronic         B         3777         15.0         29.3         8.7           123         1248 Car         S         90         3.0         11.4         4402.%           125         1248 Car         S         90         3.3         3.3         2.8         11.3         14.4         20.8         11.4         402.%         12.5         12.5         14.4         14.5         11.1         14.4         14.5         11.5         12.5         14.3         3.3         3.2         11.4         42.0         1.5         12.5         14.5         3.3         3.5         2.2         1.5         1.5         1.5         1.5         1.5         1.5         1.5         1.5         1.5         1.5         1.5         1.5         1.5         1.5         1.5         1.5         1.5         1.5         1.5         1.6         1.5         1.5         1.5         1.5         1.5         1.5	1988         H-mil B-r         H-m	161 11 Jack (P) Hogs	INDUSTRIALS (Miscel.) Contd. 1983 Him Lan Start Price Met Contact. 1983 1983 1985 19	, .
En         Toyle Abbrt. Emergy Corp.         791	$\begin{array}{cccccccccccccccccccccccccccccccccccc$	1/0         1/0 <td>251         204 Histors 50</td> <td>279         214         1         68         1         1.5         1.0           279         279         279         274         1         12.3         1.4         1.0         1.5         1.0         2.4         1.0         1.2</td> <td>300         222         Partie Cladium 51         15         11.05         3.64         1.721.5           193         183         Partie Cladium 51         183         Ref 52.31         3.142           243         215         Provide Diatrin 500         183         Ref 52.31         3.142           243         225         Provide Diatrin 500         183         Ref 52.31         3.142           243         225         Provide Diatrin 500         125         1.45         1.64         1.81           243         225         Provide Diatrin 500         125         1.45         2.82         2.41         1.65           257         1055         Diatric Mark         125         -4.38         2.3         4.71         1.4           257         1055         Diatric Graph Diatric Mark         199         -2.21         2.27         7.20         7.72         7.27         7.20         7.72         7.21         &lt;</td> <td></td>	251         204 Histors 50	279         214         1         68         1         1.5         1.0           279         279         279         274         1         12.3         1.4         1.0         1.5         1.0         2.4         1.0         1.2	300         222         Partie Cladium 51         15         11.05         3.64         1.721.5           193         183         Partie Cladium 51         183         Ref 52.31         3.142           243         215         Provide Diatrin 500         183         Ref 52.31         3.142           243         225         Provide Diatrin 500         183         Ref 52.31         3.142           243         225         Provide Diatrin 500         125         1.45         1.64         1.81           243         225         Provide Diatrin 500         125         1.45         2.82         2.41         1.65           257         1055         Diatric Mark         125         -4.38         2.3         4.71         1.4           257         1055         Diatric Graph Diatric Mark         199         -2.21         2.27         7.20         7.72         7.27         7.20         7.72         7.21         <	
8866         2507         0.04         2107         0.04         2107         0.04         2107         0.04         2107         0.04         2107         0.04         2107         2107         0.04         111         2106         2107         1006         2107         2106         2107         2107         2107         2107         2107         2107         2107         2107         2107         2107         2107         2107         2107	Carl J. Sector 1.	-5.5         3450 moster Higs Sov         43           210         16060 mt 1 Microster r         208         3.15         4.71         2.11         1.11           210         16060 mt 1 Microster r         208         3.15         4.71         2.11         1.11           198         1700 mortori Tech 100         178         4.5         9.34         6           243         1600 ray El fronte 100         182         4.1         3.33         2.9         2.10         4.55           243         1600 ray El fronte 100         182         4.1         3.33         2.9         2.16         6           243         1600 ray El fronte 100         182         1.60         9.56         6         7         1.60         1.60         9.56         1.60         7         1.00         7         1.01         1.43         1.43         1.43         7         1.43         1.43         7         1.43         1.43         7         1.43         1.43         7         1.14         1.00         1.75         1.14         1.43         1.14         1.23         1.14         1.23         1.14         1.23         1.14         2.9         1.43         1.21         1.23 <t< td=""><td>103         85/Harri Astar 10         9         94         42         13.88         24         4.7         8.5           42         36/Second        </td><td>100         Tarret 16, Wes fiber         100</td><td>300         2723 demitter toront.         477         173         4 01         2.01         64           573         4574         173         3.8         1.13         3.8         1.13         3.8         1.13         3.8         1.13         3.8         1.13         3.8         1.13         3.8         1.13         3.8         1.13         3.8         1.13         3.24         1.4         3.4         2.5         9.9           563         350 bock.         7         553 bock.         7         4.25         9.9         1.5         8.14         3.14         3.24         2.4         3.12         2.4         9.9         1.6         3.7         554 bock.         7         555 bock.         9.9         1.6         3.2         2.4         9.9         1.6         1.14         3.13         3.2         2.4         9.9         1.6         1.1         1.6         1.1         1.6         1.1         1.6         1.1         1.6         1.1         1.6         1.1         1.6         1.1         1.6         1.1         1.6         1.1         1.6         1.1         1.6         1.1         1.6         1.1         1.6         1.1         1.6         1.1         <t< td=""><td></td></t<></td></t<>	103         85/Harri Astar 10         9         94         42         13.88         24         4.7         8.5           42         36/Second	100         Tarret 16, Wes fiber         100	300         2723 demitter toront.         477         173         4 01         2.01         64           573         4574         173         3.8         1.13         3.8         1.13         3.8         1.13         3.8         1.13         3.8         1.13         3.8         1.13         3.8         1.13         3.8         1.13         3.8         1.13         3.24         1.4         3.4         2.5         9.9           563         350 bock.         7         553 bock.         7         4.25         9.9         1.5         8.14         3.14         3.24         2.4         3.12         2.4         9.9         1.6         3.7         554 bock.         7         555 bock.         9.9         1.6         3.2         2.4         9.9         1.6         1.14         3.13         3.2         2.4         9.9         1.6         1.1         1.6         1.1         1.6         1.1         1.6         1.1         1.6         1.1         1.6         1.1         1.6         1.1         1.6         1.1         1.6         1.1         1.6         1.1         1.6         1.1         1.6         1.1         1.6         1.1         1.6         1.1 <t< td=""><td></td></t<>	
11       10       10       11       10       10       11       10       10       11       10       10       11       10       10       11       10       10       10       11       10       10       11       10       10       11       10       10       10       11       10       10       11       10       10       10       11       10 <td< td=""><td>Z2         Z23Stretty         Fig. 317-4         Fig. 223-371-3-9         Ref. 2235           V2         2005 mms 50p</td><td>For F &amp; H Group see Vister</td><td>192         125671000006.001594         168         15.757         13.3         3.0135           1215         6507109000         00010         121.8         -1.01076         12.2         7.31.4           204         2467109102         1004         -1.01076         1.2         2.73.1.4           204         2467109102         104         -4.1         F5.2         7.4         5.10.9           136         95170200         -0.0100         -0.1         2.4         +1.2         2.73.1.4           136         95170200         -0.0100         -0.0100         -1.2         2.73.1.4         -1.0100         -1.2         2.73.1.4           507         671041         104070         -0.010         -0.1         -1.2         2.73.1.4         -1.000         -7.7         3.4         8.6         7.7           508         3100/951         -0.000         -0.000         3.5         1.017.5         1.000         3.7         3.4         8.6           3109         174 Weston intil 1000         -0.000         3.5         1.017.5         1.017.5         1.017.5         1.017.5           3109         144         144         145         1.017.5         1.017.5         1.017.5</td></td<> <td>10         10&lt;</td> <td>23         24         25         24         25         25         26         25           24         25         26         25         26         25         26         25           24         27         25         26         25         26         27         20         18         48         102           24         132         25         26         145         7         20         18         48         102           25         26         26         26         27         10         18         48         102         27         10         18         48         102         27         10         10         23         12         11         7         27         27         27         27         27         27         27         27         27         27         27         27         10         27         10         27         10         27         10         27         10         27         10         27         10         27         10         27         10         27         10         27         10         27         10         27         10         27         10         27&lt;</td> <td></td>	Z2         Z23Stretty         Fig. 317-4         Fig. 223-371-3-9         Ref. 2235           V2         2005 mms 50p	For F & H Group see Vister	192         125671000006.001594         168         15.757         13.3         3.0135           1215         6507109000         00010         121.8         -1.01076         12.2         7.31.4           204         2467109102         1004         -1.01076         1.2         2.73.1.4           204         2467109102         104         -4.1         F5.2         7.4         5.10.9           136         95170200         -0.0100         -0.1         2.4         +1.2         2.73.1.4           136         95170200         -0.0100         -0.0100         -1.2         2.73.1.4         -1.0100         -1.2         2.73.1.4           507         671041         104070         -0.010         -0.1         -1.2         2.73.1.4         -1.000         -7.7         3.4         8.6         7.7           508         3100/951         -0.000         -0.000         3.5         1.017.5         1.000         3.7         3.4         8.6           3109         174 Weston intil 1000         -0.000         3.5         1.017.5         1.017.5         1.017.5         1.017.5           3109         144         144         145         1.017.5         1.017.5         1.017.5	10         10<	23         24         25         24         25         25         26         25           24         25         26         25         26         25         26         25           24         27         25         26         25         26         27         20         18         48         102           24         132         25         26         145         7         20         18         48         102           25         26         26         26         27         10         18         48         102         27         10         18         48         102         27         10         10         23         12         11         7         27         27         27         27         27         27         27         27         27         27         27         27         10         27         10         27         10         27         10         27         10         27         10         27         10         27         10         27         10         27         10         27         10         27         10         27         10         27         10         27<	
1988         Jew         Div         Mydd         286           Right Law         Start         Price         -         Het Bryffer 1991         286           92591         1245ANZ 5A1         250         553447         916.9         9           9271         1850Audie Irsh         8         238         H07294         316.44         8.2           9271         1850Audie Irsh         8         238         H07294         316.44         8.2           921         1910Audie Irsh         90         640Arbacher (H112.0         90         -1         2.0         -3.3         -           920         640Arbacher (H112.0         90         -1         2.0         -3.3         -           921         12458         23013ance de Samaarder, S845         149.64         64.2         345           921         1246         215         12.4         14.23         345           921         125         15.64         14.23         345         345           921         125         12.4         14.23         345         345           921         124         12.7         12.4         -         -         444           921	CHEMICALS, PLASTICS CESAR20 F1.20, 501,1+3,1033%,154,45,63 7 2884466 Holding, 7 320,192,243,39,124 10644160 Colored 100, 8,112,44,233,77,28,122,9 515469 Past Fable, 7 66,112,54,423,44,5 515469 Past Fable, 8,512,44,100,2,9,2,616,5 21,4541 Holding, 56, 122,44,9,087,42,9,53,81 1273,8457,46,0850,8,575,-3,102,54,17,34,158 118077,90,,8,113,44,158 118077,90,,8,113,44,158	36         164 minbersite El. 70         77         77         74         72         74         72         74         72         74         72         74         72         74         72         74         72         74         72         74<	40         34         34         10         72         73<	1         1	153         1025/dlaw Group	۰ ۰۰ ۰
771       4361011465 Mort 13. vf       371	1050 Chaining (m.)         2180         15.75         21.51         15.75         21.51         15.75	383         212         103 <td>Zhokas Brit, Fordis, L.         Ziritakas, Fisherins.         <thziritakas, fisherins.<="" th=""></thziritakas,></td> <td>50</td> <td>300         225         326         22         56           81         325         325         326         22         56           81         325         325         326         22         56           137         75         55         107         11         466         336         4.3         9.8           166         1487         117         11         466         3.6         4.3         9.8           166         1487         556         147         105.07         13.3         2.4         4.2         10.7           138         755         556         4.6         4.00.7         3.3         2.4         12.6           147         105         755         5.6         1.33         4.00.7         3.3         2.4         12.6           130         290         7.4         1.5         5.6         11.9         3.0         2.05         1.1         5.6         11.9           300         290         10.6         1.05         2.2         1.9         5.6         11.9           301         290         1.6         1.5         2.3         7.2         6.9           <t< td=""><td></td></t<></td>	Zhokas Brit, Fordis, L.         Ziritakas, Fisherins.         Ziritakas, Fisherins. <thziritakas, fisherins.<="" th=""></thziritakas,>	50	300         225         326         22         56           81         325         325         326         22         56           81         325         325         326         22         56           137         75         55         107         11         466         336         4.3         9.8           166         1487         117         11         466         3.6         4.3         9.8           166         1487         556         147         105.07         13.3         2.4         4.2         10.7           138         755         556         4.6         4.00.7         3.3         2.4         12.6           147         105         755         5.6         1.33         4.00.7         3.3         2.4         12.6           130         290         7.4         1.5         5.6         11.9         3.0         2.05         1.1         5.6         11.9           300         290         10.6         1.05         2.2         1.9         5.6         11.9           301         290         1.6         1.5         2.3         7.2         6.9 <t< td=""><td></td></t<>	
1177-2 96/158	E23-Hiercales Incl	100         874 Micro Focts 10p	426         231/20017 Scherges         325         160         215         348.4           257         1085         90/2001607 Solitop	ADd         4.2 term AS IN/SO	225         1000 List Torce Starmed         221 mm         121 mm         121 mi         121 mi           225         1000 List Torce Starmed         221 mm         121 mi         131 Li Li Li           200         2451 Third Mile Low         275 mi         133 Li Li Li Li           1068         511 Thorson T-Line Sp. et         194 Li Hi-20 Li Li Li Li         138 Li Li Li Li           1068         511 Thorson T-Line Sp. et         194 Li Hi-20 Li Li Li         130 Li Li Li           107         51 Li	757.1
365       273Warturg (5.6.)	1029 Vitring Park, 100	741         43	210         210         212         212         43.0         31.1         21.8.0           250         215         21.0         43.0         31.2         21.8.0         95.4           313         701         100         43.0         1.75         45.4         4.5.4           313         701         700         70.0         43.0         1.75         32.2         2.7.4           437         370         570         570.0         70.0         74.0         31.2         2.2         7.4           437         370         570         570.0         5.1         1.6         1.5.0         1.5.5         1.5.5         1.5.5         1.5.5         1.5.5         1.5.5         1.5.2         2.3.7         1.0.0         1.25.2         1.6.6         1.5.0         1.5.7         4.5.2         2.7.1         1.0.0         1.3.2         3.9.0         1.3.3         1.5.3         1.5.3         2.4.3         9.0         1.3.9         1.3.9         1.3.9         1.3.9         1.3.9         1.3.9         1.3.9         1.3.9         1.3.9         1.3.9         1.3.9         1.3.9         1.3.9         1.3.9         1.3.9         1.3.9         1.2.1.6         1.2.0         1.2.1.6	Image: Construction of the second s	250         2051 Transport Dev         P         217         41         78.5         2.4         5.2         10.6         7.3 <th7.3< th=""> <th7.3< th="">         7.3</th7.3<></th7.3<>	
125       41)6457162 Ima, 1/5017       110      (LDAGTA 3.3) 1/2 2/2 4/2         199       117/Woodchester IR20017       134+151 KB4653 3.71 1123.7         BEEERS, WINES & SPIRITS         22/AUIcel-1005	2009RASPRO	272         174         0a.         267         8.5         41         464         49           261         156         115         -3         12.8         37         3211.0           293         1416         -9         115         -3         12.8         37         3211.0           293         1416         -9         115         -3         12.8         37         3211.0           293         1416         -9         145         -0         5         31         0.47         322.6           100         0044         -9         145         -0         5         31         0.47         31         321.7         321.6         10.42         0.5         31         0.47         31         321.6         10.42         10.6         32         21.9         10.5         31         10.6         32         12         9.6         10.6         32         1.5         10.6         32         1.5         1.6         34         9.6         1.6         34         9.6         1.6         34         9.6         1.6         32         2.1         9.6         1.6         32         1.6         1.6         3.6         3.6	318         223 Minute Transference         328 - 3         317 0.21 1.32 - 7           259         223 Minute Transference         328 - 3         127 0.21 1.32 - 7           100         89 Minute Transference         720 - 7         120 6.11 1.21 1.39           100         89 Minute Transference         720 - 7         7.4 - 7           269         223 Michols (Minuta)	123         1216         1217         107 </td <td>76 25 Westmer AS0.10 53 -1 2050 - 4.6</td> <td>247<u>-</u> 47. 2</td>	76 25 Westmer AS0.10 53 -1 2050 - 4.6	247 <u>-</u> 47. 2
14%         109         Do. 5.9950.04/11. t         130         +1         15.955         -1         170           494         434Greene King	1000         10000         10000         10000         10000         10000         10000         10000         10000         10000         10000         10000         10000         10000         10000         10000         10000         100000         100000         100000         100000         100000         100000         100000         100000         100000         1000000         1000000         1000000         1000000         1000000         1000000         1000000         1000000         1000000         1000000         10000000         10000000000         100000000         1000000	128         113+000         6000         100	1111         1000, 7250 C.B.P	200         100 <td>76         6080Wyto Group         10         74         2.76         23         5011.5           263         1600Wyto Group         159         7         200         51         12         14         9         1           263         1600Wyto Group         159         7         78         50         12         16         1         9         1           123         600Wyto Group         159         77         78         50         3.0         3.6         5.1         7.3           508         260Wyte &amp; Valor         8         316         2.1         7.3         3.4         3.2         1.00           1711         1100Young &amp; Valor         8         3.55         4.4         3.2         3.6         10.4</td> <td></td>	76         6080Wyto Group         10         74         2.76         23         5011.5           263         1600Wyto Group         159         7         200         51         12         14         9         1           263         1600Wyto Group         159         7         78         50         12         16         1         9         1           123         600Wyto Group         159         77         78         50         3.0         3.6         5.1         7.3           508         260Wyte & Valor         8         316         2.1         7.3         3.4         3.2         1.00           1711         1100Young & Valor         8         3.55         4.4         3.2         3.6         10.4	
S30 345 Young Brow # 500. 7 500 - 3 193 1.8 2.9 26.0 126 460 318 Da. Non. V. SOP. 7 522 - 3 193 1.8 2.9 26.0 126 BUILDING, TIMBER, ROADS 177 315 AMEC SOP	115tHonesuctic Gru 2av 118 5.6 0.6.3 4	2224: [164][10] Corp., 150         5203: [+5] (600%] 38 0.5] 30.8           91         571015 Circuits 50         42         [475] 0.1] 97           154         122101 (D. Corp., 150         134         [15] 0.1] 97           154         122101 (D. Corp., 150         134         [16] 3.1] 19.8           118         93571etcompating 10         415         [11] 8         15         8           901         1571etcompating 750         43         15         [11] 8         15         19           901         151fetcompating 750         43         17         41         17         42           201         1271etcompating 750         437         377         410.0         17         4         4           201         1271etcompating 750         407         407	111         46/h4/brefferer St.Sn., v         Stat	170         210         201         201         170           170         201         201         201         170         201         170           170         201         201         201         170         201         170         201         170           170         201         201         170         201         170         201         170         170         170         170         201         170         170         170         201         170	754         744 Gen, Accident	
272         18128/ilway         19         19         10,0         4         70           113         838elwwach         10,0         -         9         -         373         35         5.4         6.3         511           394         1768erkiely Group         9         -         373         35         5.4         6.3         511           394         1768erkiely Group         9         -         3.85         4         6.5         400         270         385         4         6.5         400         10,1         11.6         11.7         477         4058erkiely Group         4         100         3.85         4         5.3         4         6.5         400         2.70         10.6         11.7         11.6         11.7         4.7         4058erkiely Group         4         3.05         4.5         10.5 <t< td=""><td>301 Lette Write 20p</td><td>14/10/1812         100         17         120         211           123         250/10/186         200         100         120         23         421         24           120         250/10/186         200</td><td>IN DUSTRIALS (Miscel.) 173 45 1375 14 29112 173 45 1375 14 29112 173 45 1375 14 29112 174 45 1375 14 29112 175 41 1024 53 85 175 175 14 29112 175 17 215 14 29112 175 17 215 14 29112 175 17 225 14 2912 175 18 2912 175 18 2912 175 19 20 10 10 10 10 10 10 10 10 10 10 10 10 10</td><td>1         44           1         47           1         47           1         17      <tr td=""></tr></td><td>547         3769 and 6000 50</td><td></td></t<>	301 Lette Write 20p	14/10/1812         100         17         120         211           123         250/10/186         200         100         120         23         421         24           120         250/10/186         200	IN DUSTRIALS (Miscel.) 173 45 1375 14 29112 173 45 1375 14 29112 173 45 1375 14 29112 174 45 1375 14 29112 175 41 1024 53 85 175 175 14 29112 175 17 215 14 29112 175 17 215 14 29112 175 17 225 14 2912 175 18 2912 175 18 2912 175 19 20 10 10 10 10 10 10 10 10 10 10 10 10 10	1         44           1         47           1         47           1         17 <tr td=""></tr>	547         3769 and 6000 50	
133         133         134         14         140         17         140         17 <t< td=""><td>3400 mer (6.) A</td><td>165         1415         100</td></t<> <td>Increase of a way with the second s</td> <td>11 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1</td> <td>2104       725       46       410       48         2107       207       60       537       40       537         2107       207       60       537       40       607       10         2107       207       60       537       40       607       10</td> <td></td>	3400 mer (6.) A	165         1415         100	Increase of a way with the second s	11 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	2104       725       46       410       48         2107       207       60       537       40       537         2107       207       60       537       40       607       10         2107       207       60       537       40       607       10	
213         11111         1111         1111 <td< td=""><td>925(124), 6 5km * X., + 107</td><td>2176       1440 arcs to Eus. 20       1477 arcs       1403 arg. 24 (16.2)         176       1440 arcs to Eus. 20       197 arg. 172 (7.3) (11.9)         196       1372 carlings 100       1371 arg. 1501 arg. 27, 33 (11.9)         247       74, 204 carlings 100       1371 arg. 1501 arg. 3511 11         247       74, 204 carlings 100       1371 arg. 1501 arg. 3511 11         277       1280 carlings 100       1271 arg. 1601 343 (15.7)         287       1280 carlings 100       1284 arg. 1603 arg. 17.9         136       1115 00.020 gal.Pf 50       1284 arg. 10.10 57, 7.9         214       74 (2010 carlings 100</td><td>384         2000000         2000000         2000000         2000000         2000000         2000000         2000000         2000000         2000000         200000000000         2000000000         2000000000000         2000000000000000000000000000000000000</td><td>1         1</td><td>34         1.1.4.1.5.2.1.5.2.1.2.2           34         1.7.4.1.1.2.1.5.1.1.2.1.5.1           35         1.7.4.1.1.2.1.5.1           36         1.7.4.1.1.2.5.6.3           36         1.7.4.1.1.2.5.6.3           36         1.7.4.1.1.2.5.6.3           36         1.7.4.1.1.2.5.6.3           36         1.7.4.1.1.2.5.6.3           37         1.7.4.1.1.2.5.6.3           36         1.7.4.1.1.2.5.6.3           37         1.7.5.1.2.5.6.3           36         1.7.4.1.1.2.5.6.3           37         1.7.5.1.2.5.6.3           38         1.7.4.1.1.2.5.6.3           39         1.8.1.2.5.7.7.2.5.6.3           39         1.8.1.2.5.7.7.7.2.5.6.3           39         1.8.1.2.5.7.7.7.2.5.6.3           39         1.8.1.2.5.7.7.7.2.5.7.7.7.2.5.6.3           39         1.8.1.2.5.7.7.7.2.5.7.7.7.2.5.7.7.7.2.5.7.7.7.2.5.7.7.7.2.5.7.7.7.2.5.7.7.7.2.5.7.7.7.2.5.7.7.7.2.5.7.7.7.2.5.7.7.7.2.5.7.7.7.2.5.7.7.7.2.5.7.7.7.2.5.7.7.7.2.5.7.7.7.2.5.7.7.7.2.5.7.7.7.7</td><td></td></td<>	925(124), 6 5km * X., + 107	2176       1440 arcs to Eus. 20       1477 arcs       1403 arg. 24 (16.2)         176       1440 arcs to Eus. 20       197 arg. 172 (7.3) (11.9)         196       1372 carlings 100       1371 arg. 1501 arg. 27, 33 (11.9)         247       74, 204 carlings 100       1371 arg. 1501 arg. 3511 11         247       74, 204 carlings 100       1371 arg. 1501 arg. 3511 11         277       1280 carlings 100       1271 arg. 1601 343 (15.7)         287       1280 carlings 100       1284 arg. 1603 arg. 17.9         136       1115 00.020 gal.Pf 50       1284 arg. 10.10 57, 7.9         214       74 (2010 carlings 100	384         2000000         2000000         2000000         2000000         2000000         2000000         2000000         2000000         2000000         200000000000         2000000000         2000000000000         2000000000000000000000000000000000000	1         1	34         1.1.4.1.5.2.1.5.2.1.2.2           34         1.7.4.1.1.2.1.5.1.1.2.1.5.1           35         1.7.4.1.1.2.1.5.1           36         1.7.4.1.1.2.5.6.3           36         1.7.4.1.1.2.5.6.3           36         1.7.4.1.1.2.5.6.3           36         1.7.4.1.1.2.5.6.3           36         1.7.4.1.1.2.5.6.3           37         1.7.4.1.1.2.5.6.3           36         1.7.4.1.1.2.5.6.3           37         1.7.5.1.2.5.6.3           36         1.7.4.1.1.2.5.6.3           37         1.7.5.1.2.5.6.3           38         1.7.4.1.1.2.5.6.3           39         1.8.1.2.5.7.7.2.5.6.3           39         1.8.1.2.5.7.7.7.2.5.6.3           39         1.8.1.2.5.7.7.7.2.5.6.3           39         1.8.1.2.5.7.7.7.2.5.7.7.7.2.5.6.3           39         1.8.1.2.5.7.7.7.2.5.7.7.7.2.5.7.7.7.2.5.7.7.7.2.5.7.7.7.2.5.7.7.7.2.5.7.7.7.2.5.7.7.7.2.5.7.7.7.2.5.7.7.7.2.5.7.7.7.2.5.7.7.7.2.5.7.7.7.2.5.7.7.7.2.5.7.7.7.2.5.7.7.7.2.5.7.7.7.2.5.7.7.7.7	
137         137         137         147         1         147         137         138         138         170           1300         2910         109         109         147         147         147         147         137         130         170	Service         Start and an analysis         Service         Service </td <td>34/Dewteterer 10p</td> <td>203 1200 Ganeti Usarri Mar 1468 -5 3,4 3,5 5 27,122 212 142 Samy Weber 5, 6 132 +1 4,5 3,4 3,5 3,101 142 Symp Weber 5, 6 132 +1 4,5 3,3 3,3 101 142 Symp Stand 100 B 22 +2 - 2</td> <td></td> <td>148     1000 myslik     181     181     143     141     143     141     <t< td=""><td></td></t<></td>	34/Dewteterer 10p	203 1200 Ganeti Usarri Mar 1468 -5 3,4 3,5 5 27,122 212 142 Samy Weber 5, 6 132 +1 4,5 3,4 3,5 3,101 142 Symp Weber 5, 6 132 +1 4,5 3,3 3,3 101 142 Symp Stand 100 B 22 +2 - 2		148     1000 myslik     181     181     143     141     143     141 <t< td=""><td></td></t<>	

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# Latest Share Prices are available on FT Cityline. To obtain your tree Share Code Booklet ring the FT Cityline help desk on 01-925-2128

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# LONDON SHARE SERVICE

IBER 14 1988

		FINANCIAL TIMES WEDNESDAY DECEMBER 14 1988		
			LONDON SHARE SERVICE	Latest Share Prices are available on FT Cityline. To obtain your free Share Code Booklet ring the FT Cityline help desk on 01-925-2128
	tes	1988         Stack         Prize         -         Net         1998         1300         Stack         Prize         -         Net         1998           1.000         1.000         Stack         Prize         -         Net         Frize         -         Net         Stack         Prize         -         Net         Stack         Stack         Net         Stack         Stack         Net         Stack	ref         1988         i+ ac         nic         hrad         1988         Prize         -         Nic         i<	1988          + er         0 tr          + er         0 tr            frag           1988         Stack         Price         -         1988         High         Low         Stack         Price         -         39           118         S24Prict, Pet. 55
		2000-Miss Worki 10	ali25         iof         output its set.         imit its set.	
		International Condexes         State         ISCR 2 32 (Int)         ISCR 2 32 (Int)         ISCR 2 32 (Int)         ISCR 2 3 (Int)         ISCR 2 3 (Int)         ISCR 2 3 (Int)         ISCR 2 3 (Int)         ISCR 2 (Int) <thiscr (int)<="" 2="" th="">         ISCR 2 (Int)</thiscr>	All 0.6     711Alliance Trist.     8     4     2775     1.0     6     10	128/02 M/s Orp 1539       355       (22.75c) 1.13 5.212.0       127       128/02 M/s Orp 1539       128/02 M/s Orp
	ties aby active appi- optial pital part- by	11       11 <td< td=""><td>111.1.6       10.4 003 00 mm to 1 a 75.7       100 0 mm to 1 a 75.7       100 0 mm to 1 a 75.7       100 0 mm to 1 a 75.7       100 mm</td><td>1988   1  + ar   Div    YM4 High Low   Stack   Price   -   Het  C'vriGe's   High Low   Stack   Price   -   Het  C'vriGe's P/E 114   633ASB Barnett 20   61   -1   -1   -1   -1   -1   -1   -1</td></td<>	111.1.6       10.4 003 00 mm to 1 a 75.7       100 0 mm to 1 a 75.7       100 0 mm to 1 a 75.7       100 0 mm to 1 a 75.7       100 mm	1988   1  + ar   Div    YM4 High Low   Stack   Price   -   Het  C'vriGe's   High Low   Stack   Price   -   Het  C'vriGe's P/E 114   633ASB Barnett 20   61   -1   -1   -1   -1   -1   -1   -1
	tely rari- 580a 280a Cap- con- the	Open Instanton         Open In	1/10         73         100.120 Warrents	Z359         190Moran 100
	hich apizal i ij as iders' ed in ed in si for anna anna anna anna anna	133       1008/044 - Fit Hidgs, 1009       104       103       243       150       463       263       263       260       260       260       260       260       260       260       260       2713       110       050       267       260       260       260       260       260       2713       100       260       260       2713       100       260       260       2713       100       260       260       2713       100       2713       110       2713       100       2713       100       2713       100       2713       100       2713       100       2714 <t< td=""><td>10027       244       175 Exercise in 72       111229       138       8230mm-inderse illow y       827      </td><td>Eastern Rand         20         338/point (pt. a. 27)         41        </td></t<>	10027       244       175 Exercise in 72       111229       138       8230mm-inderse illow y       827	Eastern Rand         20         338/point (pt. a. 27)         41
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	alizati efate 1 ustry puses (real a zzd-	110         123 (C) out at a first 10 - y         133 (C)	4         0.7         6         0.11         0.01 </td <td>BE         Int300         1.3         7.8           BE         Int300         1.3         7.8           BE         Int300         1.3         7.8           Intermediation         74         74         76           District         25         9         100         100         1.3         7.8           Intermediation         9         1.0         1.3         7.8         1.0</td>	BE         Int300         1.3         7.8           BE         Int300         1.3         7.8           BE         Int300         1.3         7.8           Intermediation         74         74         76           District         25         9         100         100         1.3         7.8           Intermediation         9         1.0         1.3         7.8         1.0
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		Test         Test <th< td=""><td>121         1220         1221</td><td>1400         Beller Liders Resources</td></th<>	121         1220         1221	1400         Beller Liders Resources
11       11 <td< td=""><td>- 4328 E</td><td>111         218         218         218         219         11         0.29         12         20         13         21         21         11</td><td>271         371         825         100         600.         Warmes 100</td><td>32         204         122/Widow Gil Mile 20th         1201         22         0402         1AUS5.6         GUS 74</td></td<>	- 4328 E	111         218         218         218         219         11         0.29         12         20         13         21         21         11	271         371         825         100         600.         Warmes 100	32         204         122/Widow Gil Mile 20th         1201         22         0402         1AUS5.6         GUS 74
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## CURRENCIES, MONEY AND CAPITAL MARKETS

## **FOREIGN EXCHANGES**

42

**\$**.....

# Short-covering boosts dollar

THE DOLLAR finished towards the top of the day's range in currency markets yes terday, moving up close to key resistance at DML 7500.

Investors continued to close out short dollar positions, ahead of the release today of US trade figures for October, There was also little incentive to run short on dollars, since many traders expect the two day meeting of the US Federal Open Market Committee, which started yesterday, to result in a tightening of Fed policy.

The argument gained further substance with the release of US retail sales for November. These showed a rise of 1.1 p.c., over double market expectations, and compared with a revised increase of 1.6 p.c. in October.

The dollar rose to DM1.7475 from DM1.7405 and Y123.10 from Y122.75. Elsewhere, it rose to SFr1.4705 from SFr1.4640 and FFr5.9700 com-pared with FFr5.9500. On Bank of England figures, the dollar's exchange rate index rose from 93.1 to 93.3.

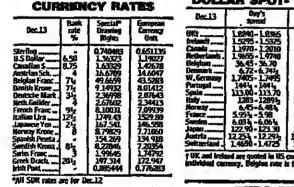
Sterling continued to lose ground, as institutional inves-tors took profits ahead of the year-end. There are also fears that a possible rise in West German and US interest rates could compromise sterling'e attraction as a high yielding

**£ IN NEW YORK** 

Dec.13	Latest	Previoa. Close
£ Spot	1.8295-1.8300 0.52-0.51pm 1.61-1.59pm 5.59-5.49pm	1.8420-1.8430 0.57-0.556m 1.66-1.646m 5.72-5.620m

### STERLING INDEX

		Dec.13	President
8,30	200	78.0	78.3
9.00	am	77.8	78.3
20.00	241	77.8	78.2
11.00		77.8	78.1
Noon		77.8	78.1
1.00	200	77.8	781
2.00	(m)	77.8	78.1
3,00	P#4	77.8	78.2
4.00	(m)	77.8	78.2



CURRENCY MOVEMENTS

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Dec.13

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Bank of England Intex

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4organ Guaranty changes: 2=100, Bank of England Inde 5=100P\*\*Rates are for Dec.12 . OTHER CURRENCIES

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2280 00 - 2285.0 2280 00 - 2285.0 1,5650 - 1.5679 3,7505 - 3,7515 1,9370 - 1,9390 2,3670 - 2,3700 3,7035 - 3,7735 28,10 - 28,20 3,6725 - 3,6735

investment. The pound's exchange rate index fell to 77.8 from 78.0 at the opening and 78.2 on Mon-day. Against the D-Mark, it fell below DM3.20 to finish at DMS.1950, regarded as a key support level. On Monday it

finished at DM3.2075. It was also lower against the yen at Y225.00 from Y226.25. Else-where, it finished at SF12.6875 from SFr2.6975 and FFr10.9125 compared with FFr10.9600. Against the dollar, it fell to \$1.8280 from \$1.8420.

The French franc continued to lose ground against the D-Mark, amid fears that West German interest rates may be increased. The D-Mark was fixed at FFr3.4187 in Paris, its second highest level ever, and up from FFr3.4180 at the fixing on Monday.

year could be as much as 4 p.c. This, together with the possi-bility of higher German inter-There were no obvious signs of intervention by the Bank of France, but dealers stressed that any further advance towards the FFr3.42 level is est rates, may enable the D-Mark to stay above key support at Y70.00.

CENTRAL S

42,458 7,8521 2,0585 6,9040 2,3190 0,76841 1483\_5

Changes are for Eco, therefore positive change denotes a weak corresp Administration administed by Florencial Times.

Day's spread

8240 - 1.4365 1.965 - 2.2550 2.974 - 3.614 66.70 - 67.23 2.214 - 12.344 1.935 - 1.1975 1.184 - 3.20 8.370 - 256.55 06.95 - 208.00 4.974 - 2.564 1.184 - 11.865 2.874 - 10.94 2.844 - 11.095 2.844 - 2.552 2.66 - 2.695

Day's

18940-18985 12975-15375 11977-12010 13955-1573 13955-1574 36,45-36,70 4,72-6,741 17405-17495 1444-1444 11306-11370 1285-1299 4,07-6,483 5395-5,98 6,433-6,654 122,59-122,39

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Short term

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Long term Eurodolliers: two years 91, -91, per o years 94,-91, per cent comminal. Short term rates a

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added to the mood of unc tainty yesterday, when taki the unusual step of delayi until this morning t

announcement of a rate

Yes per 1,000: French Fr. per 10: Lira per 1,000

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EMS EUROPEAN CURRENCY UNIT RATES

POUND SPOT- FORWARD AGAINST THE POUND

One month

0.54-0.51cpm 0.45-0.35cpm 23-21cpm 37-31cpm 53-54corpm 0.62-0.52ppm 24-22ppm 7pm-37cdis 45-27cpm pm-37cdis 14-14corpm 44-44cpm

par-3/redis 1%-1%00000 4%2%00000 2%-2%00000 1%-1%00000 1%-1%00000 1%-1%00000 1%-1%00000

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likely to bring the Bank of France, and possibly other EMS central banks, into the market to support the franc. The yen moved in line with a slightly firmer dollar and concerned. sequently showed a small

Dhergence

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as and discounts apply to the US dollar and not to the Roambal fram: 36.75-36.85.

improvement against the Chancellor, said: It is clear that excess spending is slowing D-Mark. Yen trading is tending to be a little rigid at the moment, with dealers attitudes affected by the poor health of Emperor Hirobito. down." This eased fears about

another rise in UK bank base LIFTE LINE GLT FUT

**FINANCIAL FUTURES** 

However, in the medium term, the yen's path appears to be an unknown factor. Strong Calls-s Pote-st 38455714~ 見るにはほない economic growth in Japan has PREFrance given the yen a firm under-tone, but attitudes are changing, especially after a forecast by Mr Otto Schlecht, State Sec-retary in the West German Economics Ministry, that growth in West Germany next

LIFFE E/S OFTENS E25,000 (cents per SI)

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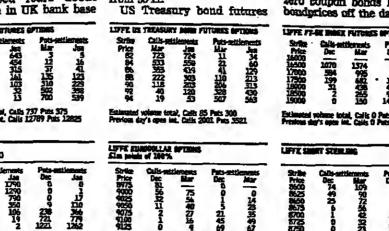
Calk

The good, the bad and sterling ANY GOOD news on Liffe yesterday had offsetting had factors, as far as sterling inter-rest rate combrasts were combrast weakening of sterling. Dealers commented that the pound est rate contracts were conappeared to need constant sup-port from high interest rates. Responding to questions about the latest UK retail sales figures, Mr Nigel Lawson, the March short sterling futures moved in a narrow range and closed at 86.92, compared with

from 95-11.

Estimated volume total, Calls 737 Puts 375 Previous day's open lot. Calls 12789 Puts 1282

TO POS



Rumours in Chicago that a large pension fund was selling corporate debt in favour of tero coupon bonds helped lift bondprices off the day's low.

also weakened, following news

that US retail sales rose 1.1 p.c.

in November, against expecta-tions of 0.4 p.c. This, coupled

with an upward revision to

October sales, increased fears

of tighter monetary policy.

Set No. 14255338 Estimated volume total, Calis 0 Pats 0 Presions day's over int, Calis 0 Pats 6

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-Estimated Volume 193 (193) Presions day's open int, 503 (496) THEE HEATS STERLING SNL, FIG states of 180% 234,5

Previous day's open int: Calls 532,704 Pats 520,664 Previous day's volume: Calls 17,414 Pats 16,022 U.S. THEASURY MORES (COT) 5% 1333533331 A Base 1

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### SWESS FEARL (CAD) SRy 125, MML 5 per SPy 87.60 81.19 N云 36.96 57.71 38.28 新たの 84.92 87.65 2449 Est. Vol., Car., Figs. and showed 13162 (16298) Prantom day's even int., 59416 (20516) FT-SE 100 INDEX S25 per tall lader point

86.94 on Monday. Long gilts for March delivery fell to 95-01 LITTE FT-IZ DIRET FUTCHES INTING Pats-s Dec 19778097

12233584 Estimated volume total, Calls 275 Pots 541 Presions day's open Int. Calls 35301 Puts 28349

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FORWARD TRUST TREASURY SERVICES

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## **MONEY MARKETS**

# Awaiting rate moves

SPECULATION ABOUT higher international interest rates increased yesterday, but the need for a rise in UK bank base rates may be fading. The US Federal Open Market

Committee concludes a two-day meeting today, amid suggestions that the FOMC

### fix clearing back bess leading rate 13 per cest from Neveraber 25

may sanction a rise of % p.c. to 7 p.c. in the Federal Res discount rate. This follows signs of strong US economic growth, including news yester-day of a sharp rise in November retail sales.

Today's announcement of month interbank was quoted the allocation of funds at a securities repurchase agree-ment tender could provide a chue as to West German monetary policy, and whether tomorrow's Bundesbank councfl meeting will result in an increase of % p.c. to 5% p.c. in the Lombard rate. This is the cost to commercial banks of emergency borrowing from the authorities.

The Bundesbank offered a the surplus by seeiing zion 35-day securities repurchase agreement tender, at no mini-mum rate. If the allocation does not exceed the DM6.9bn draining from the market, as an earlier agreement expires, dealers are likely to take it as a signal that the Lombard rate will be increased. an earlier agreement expires, sury bills drained £21m, with a absorbing £105m, and bank bal-ances below target £50m.

five-day special advances the Amsterdam money mark A weakening of the guild against the D-Mark has led suggestions that the rate cou rise from the 5.25 p.c. seen the last allocation. Interest rates were litt changed in London, but con ments made by Mr Nigel La son, the Chancellor, about

slow down in consumer sper ing were taken as an indication that another rise in UK ba rates might be avoided. Three

134-134 p.c., compared wit 18%-13% p.c. Credit conditions in Londo were very comfortable. Th Bank of England initially for cast a flat credit position of the money market, but revis this to a surplus of £100m 10001.

The authorities did not ope ate in the market before lunc but in the afternoon absorb The Bundesbank offered a the surplus by selling £120

absorbing £105m, and bank bal-ances below target £50m.

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Sciemme II & III: 13.61 p.c. Reference rate for period November 1,1988 to November 30, 1988, Sciemme IV & V. 12.251 p.c. Local Anthon'ty and Finance Horass seven days' notice, others seven days' flucd. Finance Houses Base Rate 12% from December 1, 1988; Bank Deposit, Rates for sums at seven days notice 4 per cent. Certification of tax Deposit. Rates by Deposit, Bates for sums at seven days notice 4 per cent, Certification of tax Deposit. Scient by Deposit, Bates over held under dae month 7% per cent; one-three months 9 per cent; three-six months 9 per cent; siz-aline months 9% per cent; nina+we're months 9% per cent; Under £100,000 7 per cent from Judy 5.1988, Deposits withdrawm for cash 5 per cent. six-nine monus July 5,1988 , D

	FINANCIAL TIMES WEDNESDAY DECEMBER 14 1984
WORLD STOCK MARKETS	

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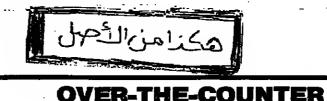
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FINANCIAL TIMES WEDNESDAY DECEMBER 14 1988

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FINANCIAL TIMES WEDNESDAY DECEMBER 14 1988

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WORLD STOCK MARKETS

# **FINANCIAL TIMES**

Wednesday December 14 1988

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### AMERICA

# **Dow declines after strong** rise in retail sales figures

### **Wall Street**

EVIDENCE that consumer spending in the economy remains robust prompted selling yesterday, but share price declines were limited as trad-ers preferred to remain cautious as they waited for today's US trade figures for October, writes Janet Bush in New York.

At 2 pm, the Dow Joues Industrial Average was 8.36 points lower at 2,131.22, around the level it had dropped to at the opening in response to news that US retail sales had jumped 1.1 per cent in November, much stronger than con-sensus forecasts which had suggested a gain of 0.5 per

The strength of the November figure was underscored by a hefty upward revision in October's retail sales to a gain of 1.6 per cent from 0.9 per cent previously reported. The November data had

been expected to show some strength because of strong anto sales. However, even without this component, sales still rose 0.9 per cent.

The financial markets are particularly sensitive to further evidence of strength in \$45%. the economy because the Fed-eral Open Market Committee is holding a meeting, starting yesterday, to survey its mone-tary policy stance.

A CAUTIOUS mood set in

before the release of US trade

figures today and that, com-

bined with an inclination to

take profits before the end of the year, turned share prices

lower in directionless trading,

writes Michiyo Nakamoto in

The Nikkei index moved

lower in early trading losing as

much as 100 points at one

stage, but managed to recoup some of its earlier losses, clos-

ing down 70.48 at 29,597.81. Declining issues led those that increased by 543 to 322 while

higher at 771m shares com-

Volume was only moderately

192 issues were unchanged.

### ASIA PACIFIC

Tokyo

Tokua.

### However, with a number of key economic releases still due this week, there was some cauconfirming speculation that he had been buying stock. tion about trading too actively. Volume ou the New York A number of stocks piled on gains on takeover speculation. Stock Exchange in the morning totalled only 77m, similar

to the level of activity during the last three sessions. Today's trade data are expec-ted to be little different from September's \$10.5bn deficit.

Bally declined to comment. SPX jumped \$1 ½ to \$44 on rumours that Gemini Partners is preparing a bid. Tomorrow sees the release of November figures for industrial production and capacity utilisation which are expected Borman's, the Detroit super-market chain, which soared to sbow that manufacturing production remains strong and capacity usage has risen. Also published yesterday was the semi-annual report

from national purchasing managers. Their assessment was at odds with many other forecasts, with a majority believing that, although economic growth will slow in the second half of next year, growth next year as a whole will outstrip parent, Kinder-Care, now held a 8.8 per cent stake in the com-pany and may launch a takeover offer. 1988 growth.

ISSS growth. Blue chips were generally weaker. International Business Machines lost \$% to \$119%, Merck edged \$% lower to \$56%, American Telephone & Tele-graph dipped \$% to \$29 and General Electric dropped \$% to evel! Canada A SLUMP in base metal issues

outweighed gains by golds to push Toronto share prices lower in quiet early trading. The composite index fell 7.6 to 3.927.7 and light the state of to 3,287.7 on light turnover of 6m shares. Varity, which reported higher third quarter earnings on Monday, slipped 5 cents to C\$3.30. An exception was Procter & Gamble, which edged \$% higher to \$84%. Another was Texaco, which added \$% to \$51% after Mr Carl Icahn dis-

cash out of the country's mutual funds, although pros-pects look brighter following closed that he had raised his last mouth's figures. Redemptions from the funds stake in the company to 15.9 per cent from 14.8 per cent, outweighed new sales of units

by L603bn (\$470m) in November, a 35 per cent fall from October's L927bu and 47 per cent below the disappointingly large L1,131bu of September, Bally Manufacturing added \$% to \$22 on rumours that it had when sales reached an all-time received a \$30-a-share offer from a European company. low.

November's figure, however, is less encouraging than the net redemptions of LAS7bn in March, which sparked unfounded expectations that the long depression in the unit trust business might be coming A substantial gainer was to an end.

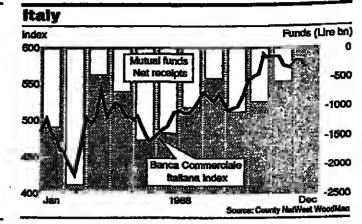
slife to slife in response to a \$27-a-share takeover offer from Great Atlantic & Pacific Tea. Kysor Industrial gained \$3 to \$20 after it emerged that a group including New York bro-ker Kaufmann, Alsberg and its The figures worseued sharply in April and May and net redemptions continued at a high level until a drop in August – which is generally ruled out as an unreliable indicator because of the summer holidays - and then rose again in September before falling

### EUROPE

HE ITALIAN market's strength in the second half of the year has so far failed to reverse the flow of Redemptions continued to outweigh new sales last month, but the

figures are improving, writes Alison Maitland

> Last month's improvement was partly a result of buoy-ancy in the income, or bond, month, however, with new sub-scriptions totalling L110bn and redemptions L552bn. These funds are now perceived as being "neither meat nor fish", says Mr Paolo Cusmano of County NatWest Securities. funds, which saw a virtual balance between new subscriptions at L405bn and redemp-tions at L424bn. The belief that interest rates would hold Fund management companies are showing less interest in them and moving into uew, steady for the next few months brought greater stability to the specialised equity or bond funds, including some which government bond market. The so-called balanced funds. invested in both bonds and equities, had another bad invest abroad. equities, had another



Outlook improves for Italy's mutual funds

of the three mutual fund cat-egories - fared better, although redemptions still out-weighed new sales by L398bn to L256bn. This continued net outflow comes in spite of a 25 per cent rise in the Italian mar-ket between the beginning of June and the and of November.

Mr Cusmano says Italian fund managers do not now expect a break-even betweeu redemptions and sales in the

The general index lost 0.39 to

STOCKHOLM was driven

unit trust sector until early next summer. The rally in equitles has been driven mainly by foreign buyers and Italians remain sceptical about its durability, he says. "Before this summer, the market had either done very

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market had child tone very badly little or had done very badly for the previous two years," Mr Cusmano adds. "Many domes-tic investors want to see a bit more of a trend before coming back to the market." back to the market."

At Kleinwort Beuson, analyst Mr Enrico Ponzone regards the latest figures as very positive given that November is traditionally a bad mouth for the market, when investors have less spare cash because they have to pay

their taxes. The fact that mutual fund managers nevertheless bought a net L220bn of bonds and fora net L22001 of bonds and mr-eign securities showed they believed the outlook was improving. "They wouldn't take a risk if they didn't feel redemptions were coming down," he says, adding that if the market remained firm the funds could break even as

funds could break even as early as February or March.

# **Preoccupation with interest rates spreads**

WORRIES spread through Europe yesterday about possi-ble interest rate rises this week, depressing the big mar-kets. Scandinavian bourses focused on domestic company news and speculation, writes Our Markets Staff.

FRANKFURT was again pre-occupied with whether the Bundesbank would raise the Lombard rate tomorrow and uncertainty over this and the-US economic data due today kept many investors on the sidelines. Volume was a feeble DM2.2hn

midsession fall of 2.18 to 533.50 but the DAX reflected a partial recovery with a drop of only 2.06 on the day to 1,290.63.

VW gained DM3.20 to DM336.20 on its forecast that group sales would grow by 7 per cent to just under DM59m this year and that profits would be better than expected. Retailers were mixed after sharp falls on Monday. Kaufhof managed to recoup DM7 of its

3.63 to 412.07. Investors are worried that bad trade figures from the US today could put pressure on

upward pressure on French interest rates. Profit-takers fixed their attention again on privatised stocks and Societé Générale fell FFr15 to FF1576. CGE lost

lost FFr43 to FFr1457. AMSTERDAM had a fairly active day, with early gains reversed by news of a 1.1 per cent rise in US retail sales in November, renewing fears of an inflationary buildup. The CBS all-share index shed 0.2 to 100.9 after reaching 101.3 in volume of Fl 493m.

The equity funds - the third

ground in London in after-hours trading while most other blue chips in the market were little changed on the day. MADRID eased in low vol-umes, with activity curtailed by the approach of today's gen-eral strike and the 1 point improve to 124 per cent in the The main excitement surrounded shipping stock Ned-lloyd, which closed up F1 1.20 at F1 246.20 but off its highs, increase to 12.4 per cent in the amid further speculation about a takeover bid from cash-rich Holland America Lines, where domestic overnight money market assistance rate. Holiand America Lines, where Mr Torstein Hagen, Nedlloyd's leading dissident shareholder, is on the supervisory board. HELSINKI was. dragged lower by news of the weekend death of Mr Karl Kairamo, chief executive of Nokia, the world's loading maker of 277.70. Banks were little changed, while some utilities continued to benefit from the move towards defensive highyielding stocks. Catalana de Gas added 10 points to 680 per cent of par and Hidrola put ou world's leading maker of mobile telephones. The market fell by just over 1 per cent with the Unitas index losing 7.9 to 1.4 to 93.2. higher by speculation in car maker Volvo and developments

at Trelleborg, the industrial group. The Affärsvärlden Gen-eral index rose 3.4 to 994.9. Nokia ordinary free shares dropped FM8.50 to FM127 amid reports that Mr Kairamo had committed suicide. One analyst not available to foreign buyers, added SKr7 to SKr369 on specusaid confidence in the company

lation that it was to sell its was under pressure because of property in a lease-back arrangement, boosting its liquidity. concern that it faced onerous problems. Nokia made up some ground in London in after-

> Trelleborg climbed SKrl to SKr279 after Mouday's news that it was selling at a healthy profit its stake in ball bearings company SKF, down SKr7 at SKr373.

MILAN ended slightly easier in thin trading consisting mainly of position-squaring before the end of the monthly account today. The Comit index shed 3.77 to 572.31.

**BRUSSELS** suffered a thin day, enlivened only by a drop in Petrofina shares after their BFr550 surge on Monday, Profit-taking sliced BFr250 off the Petrofina price, which closed at BFr13,600 after more details had emerged of the company's oil discovery in Thailand, put-ting potential production at 1,500 barrels a day.

Volvo's restricted B share, The cash market index lost 9.72 to 5.414.50.

tively. Japan Line, which rose Y19 on Monday, dropped Y25 to entrepreneurs, and by foreign selling and a lack of support Y660. for the market from domestic

market looked for a theme. Shipping companies, which had assumed the role of market leaders recently, were feit to have had their share of the run already, and there was no other sector to take their place. Interest, which continued to be strong in low-priced issues, A\$117m

Mitsui Engineering and Shipbuilding, which topped the most active list at 105.4m shares, gained Y27 to Y772. At that low price Mitsui Ship-building and Engineering was beginning to look like a fairly good bargain with other heavy

Trading lacked focus as the institutions. Imminent US and Australian trade figures kept many inves-tors on the sidelines, and the fall in the bulliou price depressed the gold sector. The All Ordinaries index ended 11.9 lower at 1,457.5 in very thin trading of 83m shares worth

again began to drift towards shipbuilding companies. Mr Adler's death sent the share price of his company, FAI Insurances, tumbling 50 cents to A\$2.60 in active trading HONG KONG continued to be thin, with little direction from overseas markets. The Hang Seng index lost 14.02 to

End-of-year profit-taking and caution help to unsettle Nikkei

The FAZ index showed a

Analysts are divided on whether the Bundesbank will change the Lombard emergency funding rate from its present 5 per cent level, although they agree it would not be justified by domestic inflationary pressures. All eyes are on the US discount rate.

se at DM3

selling a stake in Klöckner-Humboldt-Deutz, the engineer-ing company in which it has a big indirect holding. KHD rose DM4.50 to DM127. Siemens rose DM2.50 to

profit-taking as concern grew about possible interest rate rises. The OMF 50 index lost

the dollar and the D-Mark, for-cing interest rates up in Ger-many. That would in turn put

FFr8 to FFr398. Defence-linked stocks also fell back after a good run last week. SFIM gave up FFr50 to FFr1530 and Intertechnique

DM497 before news of its joint ventures with IBM. PARIS was hit by further

pared with the 597m traded ou Monday. The Topix index of all listed shares dropped 3.91 to 2,292.24. However, Japanese shares rose in London trading, with the ISE/Nikkel index up 3.01 at 1,869.65. Caution in Tokyo stemmed

not only from the wait for the US data but from the fact that there were no signs of improvement in the condition of the Emperor. Investors were also particularly reluctant to be caught on the losing side before the market closes at the end of this month for the six-

day New Year holiday. Mcanwhile, winter bonuses are reportedly at record levels. are reportenty at record levels. and there are plenty of inves-tors eager to maximise their funds in order to begin the new year with full pockets. This spurred short-term profit-tak-ing, particularly in low-volume issues.

Those sectors that had seen considerable gains recently as underperformers, such as the pharmaceuticals. shipping groups and insurance companies, were especially vulnera-ble. Sankyo and Yamanouchi pore. Pharmaceutical each lost Y30 to Y2.130 and Y4.160 respec-

towards the Y1,000 mark. The average price for 125 first sec-HK\$585m. tion issues paying no dividend was Y872, according to a news steels were also heavily

traded, with Sumitomo Metal third in volume terms at 35.5m shares. Sumitomo firmed Y21 to Y782.

trading at a discount. Regal stood out in the hotel sector with a 10-cent rise to HK\$2.40 amid speculation that it might sell its hotels at the Mitsui Mining and Smelting was second most actively traded at 39.4m shares and gained Y3 to Y778. As with other Mitsui companies, it was airport and at Shatin. There were reports of heavy Taiwan-ese buying. feit to be an underperformer. The company has featured spo-radically on speculation that In constructions, GIC rose 30 cents to HK\$19.90. Cheung Kong has increased its stake to

its plant site in Tokyo might be redeveloped as well as on the strength of the buoyant non-ferrous metals market. 89.2 per cent and extended its offer to minority shareholders until December 30. Cheung Kong lost 5 cents to HK\$8.05. SINGAPORE also saw activ-

## Roundup

ity in the hotels sector, follow-ing news that King's Hotel had LOCAL NEWS and an absence depressed share trading in Australia and Hong Kong, but activity in the hotal and prop-erty sector underpinned Singabought 5 per cent of Apollo Enterprise. The rest of the market remained subdued, with the Straits Times indus-trial index up only 1.11 at 1,002.51 in much improved AUSTRALIA was hit by the death of Mr Larry Adler, one of the country's best known turnover of 26m shares com-pared with 12m on Monday.

DM16 fall to cic The German retailers association has revised its October sales figures from a fall of 8.7 per cent to 2.2 per cent. Hongkong Telecom euded 2½ cents better at HK\$4.9% on late buying after falling earlier

2,651.92 in turnover of only

Deutsche Bank shed DM2.70 amid reported arbitrage to DM537 amid talk that it might announce a capital between Hong Kong and New York, where the uewly offered increase with its 10-month fig-ures today. Deutsche denied press reports that it was shares, in ADR form, were

## **SOUTH AFRICA**

GOLD shares edged lower in Johannesburg, as trading con-tinued to be very quiet. The market was waiting for some direction from today's US

the builded price was also stagnant in the wait for fresh factors. Vaal Reefs lost R5.25 to R262.75 rand, Kloof dipped 75 cents to R32.50, Southvaal shed R3 to R119.50 and Free-

In platinums, Rustenburg slipped 85 cents to R49.50, while diamond stock De Beers fell 45 cents to R41.65. Mining financial Anglo American eased R1 to R63.50.

### FT-ACTUARIES WORLD INDICES

Rises led falls by 73 to 65.

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY DECEMBER 12 1988				FRIDAY DECEMBER 9 1988			DOLLAR INDEX			
Figures in parentheses show number of stocks per grouping	US Doltar Index	Oay's Change %	Pound Sterling Index	Local Currency Index	Gross Oiv. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1988 High	1988 Low	Year ago (approx
Australia (90)	143.97	-1.0	115.88	111.61	4,84	145.46	116.63	111.55	152.31	91.16	94.25
Austria (18)	97.74	0.4	78.67	88,38	2.78	98.10	78.66	88.23	100.00	83.72	93.09
Belalum (63)	134.74	-0.1	108.45	121.79	4.15	134.88	108.15	121.41	139.89	99.14	95.8
Canada (125)	121.07	-0.3	97.44	105.02	3.41	121.42	97.36	105.24	128.91	107.06	209.6
Denmark (39)	155.90	-1.3	125.48	142.70	2.12	157.92	126.62	143.37	159.19	111.42	113.6
Finland (26)	135.21	-1.8	108.83	116.49	1.44	137.75	110.45	118.29	139.83		115.00
France (130)	111.87	-0.4	90.04	104.41	3.11	112.34	90.08	104.41		106.78	
West Germany (102).	87.45	-0.9	70.39	79.13	2.36	88.26			112.34	72.77	83.04
Hong Kong (46)	110.44	+0.1	88.89	110.70	4.67	110.33	70.77	79.52	as.26	67.78	75.26
	130.44	-0.9	104.99				88.47	110.57	111.86	84.90	78.81
reland (18)				119.70	4.21	131.59	105.51	119.89	144.25	104.60	97.87
taly (98)	84.88	-0.2	68.32	81.33	2.48	85.04	68.19	81.23	86.73	62.99	75.50
Japan (456)	189.25	-0.8	152.33	146.85	0.51	190.81	152.99	147.45	190.93	133.61	143.8
Malaysia (36)	142.00	-0.3	114.29	146.86	2.89	142.35	114.14	147.10	154.17	107.83	100.18
Mexico (13).	175.18	+0.3	141.00	436.69	1.17	174.59	139.99	435.61	182.24	90.07	114.5
Netherland (38)	110.54	+0.1	88.97	99.11	4.98	110.44	88.55	98.64	111.00	95.23	93.7
New Zealand (25)	65.61	-0.3	52.81	54.40	7.26	65.84	52,79	54.27	84.05	64.42	76.3
Nonway (25)	133.16	+14	107.18	116.72	2.49	131.35	105.32	114.86	133.16	98.55	100.5
Singapore (26)	119.73	-1.6	96.37	106.87	2.54	121.73	97.60	108.83	135.89		
South Africa (60)	122.30	-0.5	98.43	99.93	4.63	122.90	98.55	100.43		97.99	86.7
Spain (42)	149.76	-0.2	120.54	128.48	3.18		120.34		139.07	98.26	144.2
Sweden (35)			115.40			150.08		127.97	164.47	130.73	122.2
Sweden COV	143.38	-0.7		128.26	2.23	144.32	115.72	128.57	144.32	96.92	93.6
Switzerland (57)	79.08	+0.1	63.65	71.77	2.37	78.99	63.33	71.54	86.75	74.13	78.8
United Kingdom (316)	133.97	-0.6	107.83	107.83	4.97	134,72	108.02	108.02	141.51	120.66	124.14
USA (577)	112.63	-0.1	90.66	112.63	3.63	112.79	90.44	112.79	115.55	99.19	98.4
Europe (1007)	113.59	-0.5	91.43	97.83	3.83	114.14	91.52	97,91	116.61	97.01	99.0
Pacific Basin (679)	184.16	-0.8	148.23	143.78	0.73	185.66	148.87	144.35	185.81	130.81	139.5
Euro-Pacific (1686)	155.91	-0.7	125.49	125.57	1.65	157.03	125.91	125.95	158.08	120.36	123.3
North America (702)	113.07	-0.1	91.01	112.18	3.62	113.24	90.80	112 34	116.07	99.78	99.0
Europe Ex. UK (691)	100.61	-0.4	80.98	91.86	2.96	101.04	81.02	91.87	101.29	80.27	83.4
Pacific Ex. Japan (223)	123.32	-0.7	99.26	105.17	4.74	124.16	99.56	105.21	128.27	87.51	
Norid Ex. US (1884)	154.37	-0.7	124.25	124,77	1.72	155.45	124.65	125.14	156.39		86.7
Nortd Ex. UK (2145)			11170	121.97			111.86			120.26	123.0
	138.78	-0.5			2.05	139.51		122.28	139.61	11177	1125
Norld Ex. So. Af. (2401)	138.43	-0.5	111.42	120.75	2.29	139.17	111.59	121.05	139.52	113.26	113.3
Norid Ex. Japan (2005)	113.82	-0.3	91.61	106.85	3.75	114.16	91.54	106.97	115.54	100.00	99.02
he World Index (2461)	138.33	-0.5	111.34	120.61	2.30	139.07	111.51	120.91	139.43	113.37	113.5

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talking to Fiat of Italy about

trade figures. The bullion price was also

gold dropped 25 cents to R28.75.

This announcement appears as a matter of record only



**European Coal and Steel Community** 

### Italian Lire 120.000.000.000

10 7/8 per cent. Bonds due 1993

Issue Price: 101.75%

Issue Date: 14th December, 1988

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Banca Nazionale del Lavoro Banco di Sicilia Banque Générale du Luxembourg S.A. Bayerische Vereinsbank AG Credit Suisse First Boston Limited Deutsche Bank Capital Markets Limited Generale Bank

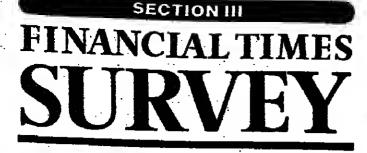
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recognisable. The skyscrapers, the western suits and the Japa-nese cars are now common-place, evidence of the con-

sumer society seemingly around the corner. In the last

decade, cultural and individual

freedoms have broadened amazingly, and thousands of

locals. They hear criticism of the government and of Chinese

traditional attitudes voiced openly in railway carriages or

other encounters in a way unthinkable in 1978. This relax-ation was launched 10 years

Sec. Control

Chinese travel abroad.

Reform has brought a higher standard of living but inflation and corruption have undermined policies.

The economic freeze is unlikely to solve these problems. The best hope may lie in the booming economies of the south and east, writes Colina MacDougail

# **Reforms hit** new reefs

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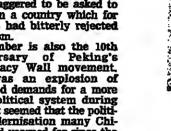
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"WESTERN hotels in China," "WESTERN botels in China," said the newly-arrived foreign diplomat, taking a deep breath and gazing approvingly round the attractive lobby of Peking's Jianguo Hotel. "How things have opened up since I was here in the 60s and 70s." Indeed they have. Superfi-cially the old China is hardly recognisable. The skyscrapers. dissolving the communes and approving private enterprise was launched and foreigners were staggered to be asked to invest in a country which for decades had bitterly rejected capitalism.

December is also the 10th anniversary of Peking's Democracy Wall movement. This was an explosion of repressed demands for a more open political system during which it seemed that the politi-cal modernisation many Chi-nese had yearned for since the end of the lith arguing might Foreigners freely criss-cross the country, often as lone back-packers. They mix with the

 despite regular criticism ance 1978, even by party leaders, of the "feudal" exploitation of privilege, in this there has been no real change. The bureaucratic hierarchies which actually run the country are still in place. Wei Jimeshen are still in place. Wei Jingshen, the Peking electrician who in 1978 wrote the definitive poster on China's "fifth modernisa-tion", democracy, is still serv-

ing a l5-year sentence for the trumped-up crime of selling secrets to foreigners. The Communist Party, ignoago this month, when the party held a historic meeting at which Deng Xiaoping at which Deng Xiaoping secrets to assumed power, reversing the The Con inward-looking ideology of the previous 30 years. "Seek truth from facts," he proclaimed, as he announced China's "four modernisations" to lift the the officia country out of poverty. A truly revolutionary policy privilege. rant and corrupt as it often is, rules supreme. Decentralisation and industrial management reforms have loosened up the official system, but not the informal bonds of power and



end of the 19th century might at last be under way. But despite regular criticism since

nomic miracle.



# CHIN/

trades unions, Shortages of the most basic commodities (salt,

for example, last month put on ration for the first time since the communists came to

Initially Deng's economic reform policies were highly successful. The street markets to reform the urban economy was launched in 1984. Accord-ing to official statistics, inflaloaded with food and flowers and the shops with TVs and fridges bear witness to that. Private enterprise is thriving. tion this year may reach around 20 per cent, and the true figure may be higher. National output and earnings have doubled and sometimes tripled since 1978. Wage gains are eroding. Widespread discontent is reflected in the dozens of strikes - today illegal -reported this year by the

Foreign investment now adds up to billions of dollars. New rural factories contribute spectacularly to the economy. In Guangdong province, at least, there is real promise of emulation of Hong Kong's eco-But China is facing very seri-

ous nuderlying problems which have grown more appar-ent each year since the attempt power) are biting into stan-

doned ideology is to make China rich and powerful, is losing its justification.

During the year, corruption has grown astronomically, feeding on the shortages in

which officials could make Making money is seen increas-ingly as the only objective, and worthwhile jobs like teaching are despised because they are badly paid. While many foreigners argue

that this is traditional and in any case no worse in China than anywhere else, it still comes as a shock to many Chinese who believe their ancient and respected culture should have higher standards than that. It also carries hideous overtones of the final days of Chiang Kaishek, who foundered at last because of the

### CONTENTS Politics; foreign policy Tourism: the arts Economy; Hong Kong auide, mei Trade; agriculture The new consumerism, laft 5 industry; energy photograph from Saily

6-6

### moral disintegration of his regime.

**Province** profiles

The party is further sapped by its current feebleness of leadership. "Deng Xiaoping is an old man now," says one senior diplomat in Hong Kong. "He's only interested in compromise. In any case, he's severely weakened since his protégé Hu Yaobang (previous party general secretary) got the sack last year after the stu-

dent protests. Foreigners argue over the currently unanswerable question as to how far Deng and his protégé, the new party boss Zhao Ziyang, lost out to more conservative leaders like Premier Li Peng in last summer's battles over whether to slow reform. But the key fact is that, although some changes are still going ahead, the reform of the price structure, essential to iron out economic distortions, is now on the shelf.

The high-risk, high-gain strategy which was so successful in the early 80s has been abandoned. Many foreigners in Peking believe it would have been impossibly dangerous to continue with price reform this year, but the measures proposed instead to restrict infla-tion and spread share ownership will do nothing to cure the

long-term problems. Essentially, China still has a peasant leadership which tries to maintain power by control of personal connections rather than through an independent than through an independent legal system or intangible levers like interest rates and taxes. Mao always despised intellectuals, and the regular campaigns even since Deng took over against intellectual freedoms show how much sus-picion remains. "Even the Soviet Union has never contin-nously destroyed its intellectual uously destroyed its intellectuals like China has done," says

one observer. The leadership's view of education is underlined by how lit-tle money is spent on it. It is true that today economists and social scientists play some role in decision-making, but many of the more creative thinkers have been replaced by party hacks who believe in central-ly-applied regulations rather

than market forces. The political reform which has occasionally been promised has been watered down into the streamlining of government departments and a prom-ised system of civil service entrance exams. Since September corrupt officials have been

more vigorously pursued, but no one believes this will be effective. The party claims to have retreated from management of the economy, but since senior managers are always party members, the withdrawal is more apparent than real

Richard Greenhill

While it was unrealistic to think that China's communist party would ever surrender power and privilege ("Those old leaders still see themselves as conquerors," said one experienced observer) thoughtful Chinese recognise that Mikhail Gorbachev may have achieved

more glasnost in three years than Deng in 10. Sadly, China has no Gorhachev, nor is there one on the horizon for the post-Deng years. Premier Li Peng and years. Fremier in Feng and most of his colleagues are opparatchiks, often (as he is) children of the party's old guard. There are dozens more "cadre princes", as the nick-name goes, among the top offi-cials of China's provinces and new corporations. If a trend can be discerned for the post-Deng era, it is that China will be run by an inherited aristoc-

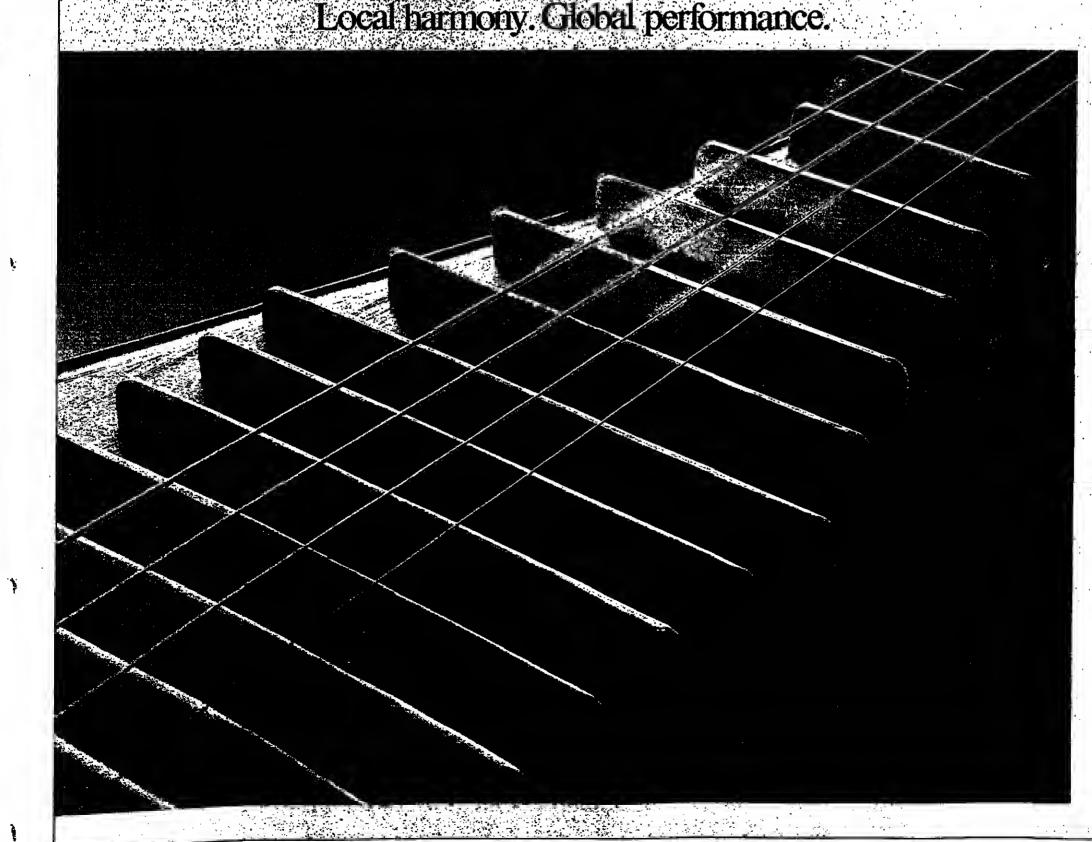
racy. The man who masterminds the economy is one of the old guard himself, 71-year-old Yao Yilin, who joined the party in the early 1930s. Vice-Minister of Commerce in the 1950s, and now Vice-Premier and member of the ruling five-man Politbu-reau Standing Committee, he was important enough to hold the job of Acting Premier when Li was abroad in November.

The economic and social challenges to the central gov-ernment come at a time when fragmentation among the prov-inces is growing. Officials in the south have become accusthe south nave become accus-tomed to running their own fiefs, masterminding foreign investment and trade and spending their own money as they wish. This may have undesirable results in terms of corruption but it has created a boom economy which owes lit-

tle to Peking. While some Chinese thinkers see this as a sign of the incipi-ent break-up of the empire, it may, in fact, be the one promising indication for the future. However, if the spirit of Chi-na's south and east is to be the engine that drives the country into the 21st century without destroying it in the process, Peking will have to establish a more impartial legal and political system.

dards of living. It is certainly arguable, as Professor Fang Lizhi, the leadership's most outspoken critic, has suggested, that the real trend in the economy has been downhill since 1984. If that is true, the leadership, whose

This perception is com-pounded by the severe decline in moral and social values.



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Peter Ellingsen looks at politics within the country and, right, relations with the rest of the world

# The ideological black hole

THE CHINESE Communist Party is facing a crisis, but it has little to do with dissidents or even a definitive power struggle at the top. Mao Zedong would find it bizarre, but the party be helped found from the barrel of a gun, is now being shaken by an explosion of money, not bullets.

Π\*

Rampant inflation, born ont of reforms that have turned China in one decade from a sluggisb socialist back-water into the world'a fastest growing economy, continues to destabilise the party in a way that protests seldom could.

Who would have thought it possible tbat a system nurtured on polemic could suffer from a lack of ideology? Sut that is what the reform process has done and, as a result, the party's once formidable credibility and authority is faltering.

It is not a threat that is likely to, in the short term at least, seriously desta-bilise the government, or force China back to a closed stance. But within the prevailing economic confusion, lies the potential for turmoil not necessarily from angry consumers outraged by the price of grain, although with the har-vest looking poor this year, that is not impossible, but more from the chaos that can, and earlier this year did, erupt in the party once reform fails to deliver the anticipated benefits.

The problem is, of course, that having eagerly dragged the Trojan borse of western-style economics inside the symbolic walls of Peking, senior cadres have had to bear the odium of 30 per

The party's once formidable credibility is faltering

cent plus cost increases themselves. Unlike the doctrinaire stages of the revolution, Confucious cannot be blamed, or a slogan campaign summoned up to defeat an imaginary foe. With Marxism all but discarded, there is an ideological black bole in which price rises amount to hardship plain and simple, not some noble cause worth the suffering.

This became painfully obvious at the single most important event on China's political calender. It was not the Communist Party meeting in September, the gathering of China's parliament, the National Peoples' Congress in April, or any of the regular meetings the cabinet or state council conducts throughout the year that bought matters to a bead, but the annual summer bash at Bedaihe beach resort.

It was there that the political nadir was reached when senior leaders fell ont over the speed of reform, and looked, for a time, to be on the verge of a schism. The official People's Daily was forced to revise its view several times of Bedaihe and the future it was planning for China because of disagreethe economy, Zhao remains an impor-tant force, speaking out on the direction of reform, and pushing the party line of inflation first.

Several of his personal projects, how-ever, including the promotion of rural industries, have fallen by the way in the rethinking, and that has not helped his position. But no one is now talking about him following his predecessor, Ha Yaobang, into obscurity, if for no other reason than the party'a standing could not take the sacking of another

secretary. Evidence of the party's dilemma is everywhere, and all related to the free-ing up of controls that once rigidly gov-erned every aspect of Chinese behav-

All this has come about because the party has tied itself and its popularity to economic strength. Some observers even go so far as to see national unity as well as national identity now dependent on China's continuing economic power and raise the spectre of disunity and fragmentation - always China's biggest fear - if the party falters in its bid to propel the country out of feudal-ism and into the promised modern era.

Without the comforting, debilitating buffer of Marxism to depress expectations and excuse failure, the party can now be pragmatically judged by the goals it has set. As Rui Xingwen, Politburo and secretariat member, explained, "if [we] can't devalop through reform and reconstruction, we will not be able to take our rightful place in the world".

It is a theme that has also been hammered by intellectuals, though with a different emphasis, and entirely differ-ent purpose. From China'a best-known and more outspoken dissident, scientist Fang Lizhi, down, scholars argue for greater intellectual freedom and rule of law as a way of guarding against abuse of power and filling the ideological vac-uum. Like the man he has been compared to, Soviet physicist Andre Sakharov, Professor Fang is pessimistic about the reform process, and the prom-ise it holds for political pluralism in Chips

"The party," he says, "is up against its biggest crisis, but the leaders don't see it. There is great potential for unrest. In the past they always blamed someone, but this inflation is a direct result of their own centralised planning and control."

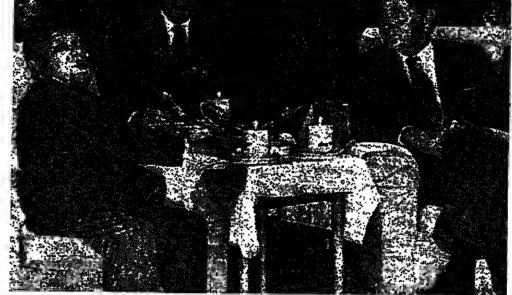
## **Progress cannot happen** unless crises are

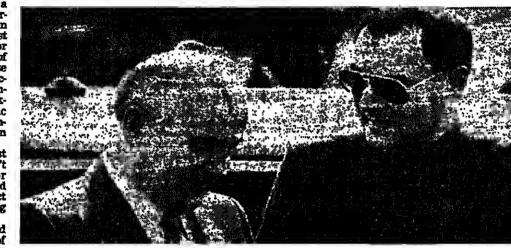
Zhao Ziyang or Li Peng will be strong enough to govern the party once Deng



Yao Yilin, left; Zhao Ziyang, right. Zhao, the leader most closely linked with reform, has lost some influence. though little real power. Immediately below, Deng Xiaoping with George Bush. Mr Bush is popular in Peking and is thought likely to be more open to Chinese requests for high technology ransfers. Talks with Mikhail Gorbachev, centre, are possible; a visit from Rajiv Gandhi is planned for this









Characterised by sense of balance

THE integration that China has tried and so far failed to manage domesti-cally, has largely been achieved in its

. . . . .

foreign policy. For the first time in its 40-year history, the Peoples' Republic can, with perhaps the exception of old foe Vietnam, point to no tangible enemy threat-ening either its borders or its strategic objectives. There has been little in the way of aggravation from abroad and much that snggests a naw and improved era of regional relationships.

The positive developments are many, but a snapshot would include a possible summit between Soviet leader Mikhail Gorbachev and Deng Xiaoping, a meet-Gorbachev and Deng Xlaoping, a met-ing that will open up enormous trade and diplomatic opportunities for Peking; the election of China'a "old friend" George Busb to the White House; this month's proposed historic visit by India's Rajiv Gandhi; and the desire of Japanese Prime minister, Noboru Takeshita, to heal old sores with ant loans. with soft loans. Taiwan, of course, remains a thorny

issue but, even here, a thaw has been occurring with reciprocal visits between the mainland and Tapei happening for the first time. In fact, the sense of relative balance that now characterises China's relations with the rest of the world, and remains noticeably absent in its internal politics, is the best outcome yet recorded by the

That this has been achieved with a minimum of pain, and little in the way of concessions from Peking, is only

Economic pragmatism has swept away stubborn differences

partly due to China's legendary diplomatic finesse. More important have been the policies and conciliatory needs of the hig three, the US, Soviet Union and Japan, and the economic pragmatism that has tended to sweep away stubborn historical and ideological differences.

This spirit of rapprochement is not only clear in new alliances springing up in Asia-Pacific, but in the confident and commanding way China has been able to dictate the pace of *détente* with its once hostile and estranged neighbours. The biggest event, of course, is the thaw with the Kremlin, and what that will mean for regional relationships. Peking has been coy in the way it has gradually warmed to Mikhail Gorbachev's wish for a summit with Deng, and determined that any meeting will be premised on what China sees as progress on the Kampuchean issue.

Moscow has already leant on its Viet-namese allies to effect an early withdrawal of troops from Kampuchea, still Peking's pre-requisite for normalisation can be continue to do so. Most signs point to a mula." May Sino-Soviet summit in Peking. As vice foreign minister, Liu Sbuging noted in a recent interview: "Both China and the Soviet Uion believe a

cal point-scoring. Peking neatly glossed over the still strongly-felt anti-Japanese sentiment when Tokyo proffered a \$6bn package of soft loans earlier this year. Despite the refusal of some Japanese politicians the renusal of some Japanese pointclans to acknowledge past horrors, like the rape of Nanjing, Deng and Communist Party chief, Zhao Ziyang, were happy to embrace Prime Minister Noboru Tak-eshita's wish to invest heavily in Chi2

na's coastal areas. There was even the hint that, with Peking now prepared to countenance capital from South Korea, Japan had better increase and speed up its invest-

better increase and speed up its invest-ment, or miss out on one of the last, and certainly the biggest, low cost labour forces in Asia. True to the prevailing spirit of prag-matism, last month a senior Chinese trade official explained, in a comment picked up and sent around the world by the New China News Agency, that, "South Korean businessmen are encour-aged to invest in the development of badly-needed Chinese industries, such as energy, transportation, raw materi-

als, high tech, and exports." The admission of direct trade links with Seoul has not pleased China's socialist ally on the peninsula, North Korea, but it has not created any real problems either. Again, to quote vice foreign minister, Lin Shuqing, "North Korea is certainly concerned about this development, but they express great understanding." Lin makes it clear Peking is unlikely to establish diplo-matic links with Seoul in the short term, but with trade and investment, both direct, and through the Hong Kong back door, booming, it does not matter. It suits China to have South Korean money without the complication of normal ties, an arrangement that does not apply, however, to another neighbour and member of the so-called four little (economic) dragons, Taiwan. Tapei has been pouring money into the mainland been pouring money into the mainland via Hong Kong for some years, but it is only recently that both of the regimes claiming to be the real China, dropped their prohibition on free travel, a move that saw more than 300,000 Taiwanese visit the mainland this year.

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With indirect trade between the two now at about \$2bn annually, China is getting much of the economic input it requires, but not the diplomatic co-operation. As vice foreign minister Liu, says, it is only a partially satisfying result: "Taiwan is still stressing its so-called non-contact policy, and imposing restrictions on contact, but It is

### There is Sino-US tacit agreement on many regional concerns

possible this situation will improve. I hope we can settle this question accordo-systems to the one country mina." The formula, devised by Deng to facil-itate the reintegration of Hong Kong in 1997, is less appealing to Taiwan which, unlike the crown colony, need not go along with Peking's wishes. But with the prospect of the former chief of the US haison office in Peking, Genera Bush taking our as US presi-George Bush, taking over as US presi-dent, these are small irritations. Mr Bush, who was in China from 1974-75, and again in 1977 and 1980 when be met many senior leaders, including Deng, is popular in Peking, and thought likely to more open to Chinese requests for

Professor Fang, who has been denied permission to travel abroad because of his criticisms, does not think either

# comprehended

ment among top leaders, and confusion among their followers.

In the four-and-a-half months since then, rumours of party secretary Zhao Ziyang's demise and a Politburo split have given way to a generally agreed batch of re-designed policies and care-fully orcbestrated optimism. But, despite the relative sophistica-

tion of the party's updated macro-eco-nomic remedy to the chaos created by partially deregulated prices, huge obstacles remain, along with doubts about just bow effectively the centre can implement its will.

Many fear that by keeping the twotrack price system, one fixed by the state, the other by the market, and by cutting back on investment, only a veneer of order will be achieved, and valuable time and momentum will be lost.

There seems little doubt that Zhao, the leader most closely linked with reform, has lost some influence, though little real power, in the shake-out that followed Bedaihe. Even though it was Deng who insiders say forced the party to go for massive price de-regulation, It was Zhao who had to carry out the damage control when consumers began boarding, rushing the banks and sound-ing off about shortages. Zhao was cautious about ending price control, prefer-ring first to tackle the supply side of the ledger by lifting efficiency in enter-prises, but be was the one perceived to be in charge, so he lost out.

Now, though Premier Li Peng, and Yao Yilin, Vice Premier, play a domi-nant role in the day-to-day operation of

The ferment is echoed by Li Ming, a researcher at the Ministry of Civil Affairs, who is suspicious of the lack of critical discussion accompanying reform. Evoking the controversial tele-vision series, He Shang (River Elegy) vision series, He Shang (River Elegy) which critically appraised China'a myths of cultural snperiority, and which was, for a time, banned by the authorities, he also talks of national crisis. 'In China we always put out propaganda that the situation is very good," he said. 'Few dare say anything adverse, [and] this absurdity tends to foster a blindly arrogant spirit ... if a society fails to ... comprehend its cri-ses, it will be unable to progress."

It is a growing theme. Another scholar, Wang Runsheng from the Chi-nese Academy of Social Sciences points to the ideological vacuum and says China is facing a serious "moral crisis" due to the decline of traditional Confu-cianism, hollowness of espoused ideals, and lack of values.

In one way or another, this is all the ultimate responsibility of the party. While it is misguided to, as Chinese are nostalgically doing, see the past as some sort of golden era, it is a fact that reform has not been all good.

If reform is to match the rhetoric, so that the 150,000 party members expelled for corruption since 1983 become a memory not a routine, then the party's informal power networks, with all their back-door implications, will have to be replaced by an established body of regu-lations.



Takeshita, right, with Li Peng: seeking to heal old sores with soft loans. Mr Takeshita wishes to invest in China'a coastal areas. Left, Qian Qichen, foreign minister. Right, Liu Shuqing, vice foreign minister: "Both China and the Soviet Union belleve a political settleme can be found.' Moscow has already leant on its Vietnamese ailles to effect a early withdrawal of troops from Kampuchea, still Peking's pre-requisite for tion of relations

Pictured above, Noboru



political settlement can be found." A reconciliation, no matter how ten-tative, between the two communist giants, has enormous implications, and has already led India, for example, to re-affirm its links with the Soviet Union and declare, optimistically perhaps, that a Marxist re-alignment in Asia will not in any way effect its position. Analysts looking further ahead won-

der whether China will be able to play Washington off against Moscow to obtain higb tech, including sophisticated military transfers. By normalising ties with Moscow, Peking stands to receive not only technical input, with-out the hig brother overtones of the 1950s, but a huge boost in the already significant border trade. Tha under-manned Soviet Far East also offers

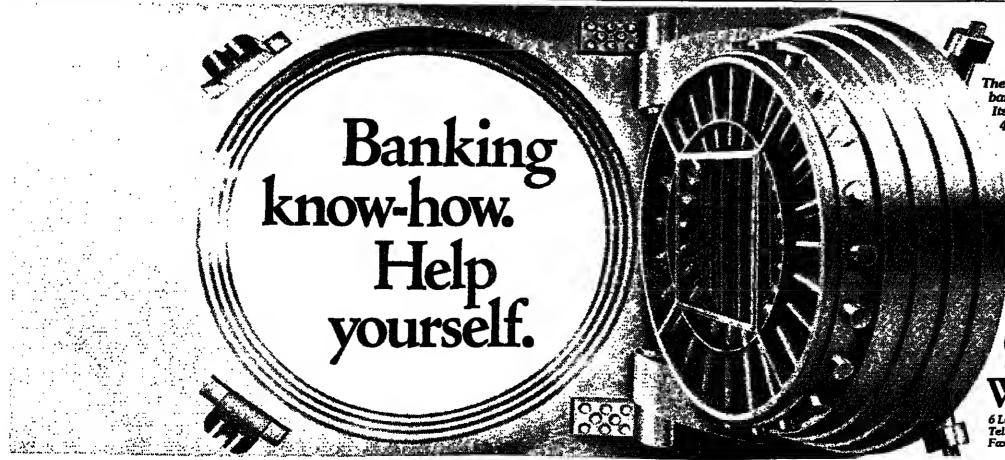
valuable employment opportunities for China's northern provinces. But most important of all, if, by shak-ing hands with Deng, Mr Gorbachev comes to view Vietnam as a useful but peripheral ally, China will have moved towards a resolution of an old problem. Without Moscow's support Hanoi is likely not only to pull out of Kampu-chea, but prove less aggressive on bor-

der disputes. With so many loosa cannous still creating havoc in its internal restruct-uring, China's foreign posture is, with a couple of exceptions, centred on economic co-operation, rather than polemi-

high technology transfers. Despîte substantial differences over Taiwan, arms sales to the Middle East and assorted third world issues. Sin-oUS relations have been improving with tacit agreement on many regional concerns including, in general terms, Kampuchea, and US military bases in the Pacific.

China relations with the Association of South East Asian Nations (Asean) has also been on the upswing, with trade between China and Asean increasing 36.5 per cent this year, which is three times the rate of increase in trade between China and Japan and Europe.

As part of the trend toward closer economic and diplomatic ties with developing countries, China also lifted its trade with Gulf nations by one third. Despite its incrative line in aelling arms, China is, as its changing network of alliances and links indicates, follow-ing market forces in its foreign policy, if not in its domestic regulations.



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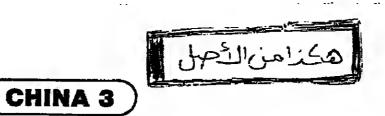
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"WE'VE grown a few more grey hairs over the past few months," said Hong Yuncheng wearily. Spokesman for the People's Bank, the central bank, he was explaining how China had faced an astonishing outbreak of economic and social problems this year which threw the reform policy off course and even seemed to

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"Aggregate social demand exceeded aggregate social sup-ply," he profiered as a diagnosis of the late summer rocket-ing of prices. This insight is always true of China, though demand has hitherto been held in check by the remnants of the country's planned economy.

But the widening decentralisation of economic powers this year gave consumer spending a huge push. Inflation this year is around 17 per cent or more, while in Guangdong, China's fastest growing province, it is estimated at 40 per cent. The Obvious decline in the value of money launched the runs of money launched the runs on ite banks and panic purchas-ing which afflicted China in the late summer. A degree of paralysis affected Peking's leaders as they debated what to do in a series of meetings in Angust

series of meetings in August and September. Finally they plumped, with apparent una-nimity (though many Chinese, as well as westerners, believe there was an unholy row in which reformer Zhao Ziyang, the party general secretary, lost out) for freezing their pro-posed reform of prices for two years. They settled instead for a period of renewed central control to "improve the economic environment and rectify the economic order". While a few reforms, such as freeing the enterprise management system, are due to continue, this will mean recentralising control over a huge range of activities.

This was a drastic turnabout from earlier plans. China's economy is totally distorted because many prices, set 20 or 30 years ago, are unrelated to costs ("the more oil China pro-duces, the more money it loses," observed one Hong Kong diplomat). The need for price reform has been recognised hy the party since at least 1984. Though this policy was soft-

pedalled last spring because inflation was already causing concern, Deng Xiaoping him-self put his weight behind it in the early summer. "We are Colina MacDougall explains how economic reform has been thrown off course

# **Turnabout brings recentralised controls**

to sell on the free market anything they produced above their state-set quotas, swiftly attracted officials on the make into buying at or near the state price and reselling on the free market, often at twice or three times the price. One factory simply stopp

work, making a living by sell-ing off its allocations of state-priced steel to the highest bidder. With state-priced steel st yuan 890 a ton and free-market steel going for yuan 1,800-2,000, all over China companies were profiting hugely. Steel, alominium and coal

grew desperately sbort. Aluminium ingots were changing minim ingots were changing hands half a dozen times as companies sought to make a quick buck before letting them go to the end-user. Coal from Datong which cost yuan 30 a ton where it was mined in Shant' arrother was fetching Shanxi province was fetching more than 10 times that in south China.

A Chinese journalist. describing the frustrations of coal purchasing officials, noted that bribes soch as silk quilts, tins of Nescale and crates of oranges used to be enough, but now jewellery, colour TV sets or even cash were needed. Said one purchaser bitterly: "They asked me casually whether any 'old comrades' came along with us, and I knew what they referred to was 100-yuan bills,

on which four old revolution-

Much of this new commerce used borrowed cash, pushing up mooey in circulation in the first half year by nearly 35 per cent. Of China's 400,000 trading companies, 100,000 were in on this kind of business. Units with money to spend bought cars, gave exotic dinners and launched a damaging construc-tion boom by building themselves botels and leisure centres.

Nstionally, workers' wages in the first half year went up hy over 17 per cent and bonuses by almost 50 per cent. Unsurprisingly, pushed by wage rises and the new pros-perity of enterprises, consumption funds rose by over 27 per cent. Again not surprisingly, the Psopla's Bank began to recognise by the end of April that it had s problem, since it has no real powers to restrict borrowing or call in debt. "Ws were forced to pump more mooey into the market, says Hong.

Food prices flew up. Costs of diesel and fertiliser had risen sharply, and farmers needed to reconp their expenditura. Unrationed grain (the surplus farmers produce above their fixed quotas) and vegetables sold on the free market became

very expensive. A real food shortage is now on the cards. The low prices the government pays to farm-

Economic indicators								
	1985 (estimates)	1987	1886	1985				
GNP (bn yuan)	1,300**	1,092	1,001	•				
National income (bn yuan)	1,110**	915	779	676				
Grain (m tonnes)	400*	402	391	379				
Cotton (m tonnes)	-1	4.2	3.5	4,1				
Steel (m tonnes)	59	56	52	47				
Coal (m tonnes)	-	920	870	850				
Oli (m tonnes)	140-15011	134	131	125				
Electric power (bn kWh)	540**	496	445	407				

0": Vice Pramier Yao Yikin, 1"Under 1967: Interviews with officials; 11"Under 140-150": Interviews with officials; "Vice Premier Yao Yilin, 1965-87 State Santistical Bureau

Some 80m people face food shortages, and 20m possibla starvation this winter, the

China Daily bas reported. While some officials talk of

raising the grain price paid to

farmers next year, others look glum and point out the infla-

ers for grain, plus the indiffer-ent weather, has meant stagbanking system, taxation is rudimentary and, according to nant grain harvests since 1984.

enterprises. Peking's reaction to the admittedly worrying events of the year has been to slap on the kind of direct controls lt was earlier dismantling. Loans are to be frozen, and industrial growth reduced to a fraction of its present rate.

tionary consequences. "China has currently got the Prices of food and major raw materials have been curbed by administrative flat. The priceworst of both worlds - an entrepreneorial culture brought in by Deng on top of a traditional and Maoist bureau-cracy," says one diplomat. setting authority of the locali-ties has been frozen. Inspectors have been sent out to check on Decentralisation has given tax collecting, institutional enterprises freedom, while the ceotre has failed to set up the spending and speculation. One sample of the clumsy bureaucrscy this will ragenerate is that every transaction between instruments to control them. Peking has not fulfilled its 1984 enterprises over yuan 30 promise to strengthen the

applied to goods in over-sup-ply, which offers nil inducement to step up productivity. "The Chinese government Lu, evaded by 98 per cent of has not addressed the real causes of inflation, such as the rise in wages," commented one diplomat. "Nor has it sbolished

the biggest cause of corruption, the two-track price system, noted another. These omissions, plus the likely failure of its sdministrative controls, suggest that

resuming any meaningful reform is likely to prove impossible. In the meantime, real economic growth may evaporats, bringing unpleasant con-sequences for a population now geared to expect steadily rising standards of living. This may, in the end, be as dangerous for the lesdership as the nowshelved price reform.

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(under £5) now has to be made

There is no sign that these

measures will be successful.

China's provinces, especially Guangdong, have in recent

years taken enthusiastically to flexing their own economic

muscle. The central govern-

ment is employing the might of the party's discipline structure

to bring unwilling officials into

line, but it has no effective

The new controls risk damp-

ing industry to a point where revenue (80 per cent generated

by state enterprises) could sink

to a dangerous level. They will

damage the most buoyant sec

tor of the economy, the rural

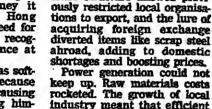
collective enterprises. Chinese

officials say that even when price reforms reappear on the agenda they will only be

through a bank.

teeth.





mission for Restructuring the Economy, would have allowed

prices to rise 80-90 per cent and wages 100 per cent. But before

it was launched, the underly-ing problems in the economy

Industrial growth soared

Q7.5 per cent up in the Jann

ary-September period over the

sams months last year -

planned growth was only 8 pe

cent). Decentralisation of the

trade structure allowed previ-

burst into full view.

industry meant that efficient factories such as Shanghai's textile mills found the cotton **Relations with Hong Kong** Voting with

ones."

their feet THE PEOPLE of Hong Kong becomes a Special Administra-have little faith in the rulers of tive Region in 1997 have not China. As the date for the Brit-ish hand-over of sovereignty in 1997 grows nearer, and China trusted to stick to their word increases its indirect influence and leave Hong Kong free to over the colony, this lack of faith - and maybe fear - is operate as a prosp erous, int

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Hong Yuncheng: 'Forced to pump more money into the market'

determined to take this risk," and silk they needed were Deng said, speaking of price reform at a June seminar in the Great Hall of the People. "It is better to bear short-term mopped np hy poor quality town and village enterprises. Black markets developed through an impressively entresufferings than long-term preneurial manipulation of China's current "two-track" A five year plan for price reform was compiled which, says Lu Yonghua of the Comprice system. This system, initially a sensi-

ble reform allowing enterprises

aries are pictured."

dence of Hong Kong and the southern regions of China, especially the adjacent prov-ince of Guangdong, is increas-ing dramatically in terms of trads, industrial processing, communications, and free flow

nationally important, regional being demonstrated by the entrepot and financial centre. large numbers who are hurry-ing abroad to secure passports to give them the option of an alternative life in countries such as Canada and Australia. Yet the economic interdepen-ter formers in Peking want and need Hong Kong to stay pros-perous because this will help. with the gradual opening up of China's economy. It would also China's economy. It would also be a serious loss of face for China's rulers if they did not manage to keep Hong Kong in tha prosperous style developed by the colonial British. Nevertheless, there is a deep-rooted fear that Peking's wish to exert influence will

wish to exert influence will undermins tha colony's economic self-confidence and and so lead to a down-turn, even if the trappings of slowly devel-oping democracy are not themselves upset.

In Hong Kong there are basi-cally two views. There are the liberals, led by Mr Martin Lee, who argue that the Basic Law should contain as much democracy as possible, first because they believe in democracy for its own sake, and second because it would be the best hulwark against intervention by Peking.

Martin Lee: critic of Hong Kong's currency. Some or nong Kong a currency. Some businessmen even argue that long before 1997 the two areas of Hong Kong and Guangdong will have become almost inseparably inter-dependent. Those same Hong Kong busi-

Those same Hong Kong busi-nessmen, however, who are cashing in on Guangdong's cheap land and labour to pro-duce their goods, are, at the sams time, axprassing their distrust of Peking by joining the net total of over 45,000 peo-ple who this year are expected to leave the colony to obtain foreign passports and better living conditions and educa-tion for their children abroad. The insecurity stems from

The insecurity stems from the fact that these people are already refugees from China. They or their families have already run away from the Communist regime once, hence their reaction now they are to be brought back into a China which is making it clear that Peking wants to control them, and will be able to do so," says Mr Martin Lee, a senior lawyer and public figure who is Hong Kong's most outspoken public critic of Peking.

Recent talks between China and Hong Kong interest groups on the draft Basic Law which will govern the colony when it

wishes to slow down demo-cratic reforms. That means doing everything possible to ensure a smooth transition of power on the night of Juns 30-July 1 1997. This, in turn, means designing systams which will not lead to disruptive clashes between Hong Kong and the Chinese capital. The way that the Basic Law has emerged from recent draft-ing sessions in the sonthern Chinese city of Canton shows that the latter businessmencum-government visw is pre-vailing. Considerable concessions have been made hy

by Peking. Then there are local Chinese businessmen - broadly backed by the British and Hong Kong governments - who believe that nothing should be done which will upset the colony's economic prosperity, even if this means accepting Peking's wishes to slow down demo-

Peking on Hong Kong's free-dom to interpret and apply laws after 1997. Provisions have also been agreed for the colony's Legislative Council, which will be siected in 1995 under British rule, to continue

from 1997 to 1999. But Peking seems determined to control who becomes the region's first chief executive - the successor in 1997 to the British governor - and has delayed introduction of a fully Continued on next page

in the new SAR government

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# CHINA 4

# FOREIGN INVESTMENT A difficult first phase is drawing to a close

CHINA'S international appeal as a home for foreign invest-ment has recovered somewhat during the past 18 months. This follows serious setbacks in late 1984 and 1985 when companies working in the country ran into major difficulties, especially over availability of foreign exchange, and the pace of new investment slumped.

IV\*

In the first nine months of this year, a record total of over 3,100 foreign investments were approved by the Chinese gov-ernment, twice the number in the same period last year. according to figures issued by the Ministry of Foreign Eco-

nomic Relations and Trade. More than half were joint ventures, usually involving equity stakes of 50 per cent or more. Exports from the ventures more than doubled in the first half of the year to \$570m and are expected by the Minis-try to reach \$1.5bn for the whole of this year.

Peking has said repeatedly in recent weeks that foreign investment projects - apart from non-essential areas like botels - will not be affected by the current economic cutbacks. This probably means that ventures already going ahead are safe, but there could well be a slow-down in approvals during the coming months while the bureaucracy adjusts.

Although almost every joint venture still has problems and grumbles, this year's figures show that China is emerging from the first difficult phase of its post-1979 opening up to foreign investment.

To begin with, in the early 1980s, there was a sharp clash of interests between China which basically wanted foreign investment to open up export markets, while many, if not almost all, the foreign compa-nies involved wanted access to the 1bn people in the world's largest untapped market.

This dichotomy of interests led to major problems centred. around the availability of foreign exchange which China -unrealistically as it now acknowledges - wanted each venture to generate internally for its own severely restricted needs.

Now the government has adopted a flexible approach when negotiating investment contracts so that, for example,

a Volkswagen joint venture in Shanghai can obtain all the car plant manager. Another foreign exchange it needs at adds: "Our Chinese partners don't understand the need to the official rate, while other companies with less clearly defined needs can top up their requirements in Foreign spend money on spares and extras to make things work properly - there is no concept of preventive maintenance." Exchange Adjustment Centres at the more expensive "grey rate" (see foreign trade article). "They are no longer saying The Ministry's total of over

the first nine months of this you must yourself earn overyear compares with 2,233 seas all the foreign exchange yon need," says one foreign observer. "Instead they are saying that the only limitation worth \$3.7bn in the whole of last year when there were 1.385 joint ventures with partial equity stakes. There were also 46 ventures wholly owned by is the ability of the foreign joint venture sector as a whole to finance these purchases. foreign investors, and 789 co-

Government Initiatives have eased problems such as prices, customs duties and recruitment

ement enterprises where

a foreign company and Chinese partner link up with technol-ogy, finance, and management in a less formal arrangement

than an equity joint venture.

It is too soon to draw firm

Equally, if you make excess foreign exchange, as botels can. you can double your domestic profits by selling your surplus foreign exchange at the nearly-double-value market rate."

In the previous record year of 1985, a total of 8,069 approv-als worth \$5.50n included 1,412 There have also been other government initiatives which joint ventures, 46 wbolly owned projects, and 1,611 co-management enterprises. The total dropped to 1,492, worth \$2.7bn in 1986, recovering to bave improved access to bureaucracy and eased such problems as prices, customs duties and recruitment of labour. Liu Xiangdong, spokes-man of the Ministry of Foreign 2.233 last year. A majority of the projects -1.690 in the first half of this Trade in Feking, says compa-nies have also been helped by the completion of 270 new laws

year - have overseas Chinese and regulations which have clarified rules affecting their operations, and by the negotialiving in Hong Kong and Macao as partners. Companies from the US and Japan lead the list of fully-foreign invest-ments, with about 85 project approvals each in the period tion of Investment Protection Agreements with 22 countries and double taxation agree-January to June this year.

ments with 20 countries. But life is still far from easy. Only Overseas Chinese compa nies from Hong Kong and Macau, which have low-investment processing operations in Gnangdong Province using China solely as a source of cheap buildings and labour,

expect to make quick profits. Managerial problems abound. "The problem is to keep the quality going," is a common beard complaint. "The staff have no pride in their work and there is no concept of 'belonging' towards your uniform, equipment or tools," says a hotel executive.

"With bought-in goods, the problem is to get consistent quality - one day a firm deliv-

ers good products and the next conclusions from the figures week it's all rubbish," says a which only track the progress of investments approved, not the actual number of projects starting work. But it appears that there is a growing interest in 100 per cent foreign owned ventures, rather than joint ventures shared with a local partner. 3,100 investments approved in

Some foreigners say a partner is essential to make contact with the bureaucracy. to belp find labour and scarce materials, and to ease access to domestic consumer markets. Others suggest that a partner is less necessary now than in the early 1980s because of the improved political environ-ment, and that the freedom to manage alone in one's own style is an overriding advan-

> But it is also argued that a partner is more necessary the further one moves away from the friendly southern province of Guangdong where operations are cushioned by of easy access to Hong Kong.

Pariners can help ward off unfriendly attacks such as wide publicity given to a recent minor food hygiene case registered against the 100-per cent foreign owned Shanghai Hilton Hotel (10 per cent owned by Hilton and 90 per cent by Hong Kong traders). "I think .it : might have been herenet me are melling foreign because we are wholly foreign owned and the Chinese feel they have a certain loss of face and control and so want to get in here somehow," says Mr Heins Schwander, the hotel'a general manager.

John Elliott

John Elliott examines the trade figures

The second s

CHINA IS likely to have a trade deficit of about \$50n this year, compared with \$3.7bn last year. This follows a decline in the country's dramatic export growth of the past couple of years and a steep rise in imports during the past few months.

Official customs figures, which are the best guide to the country's trading performance, sbow that export growth slowed from 34.1 per cent in the first half of this year to 20.2 per cent in the third quarter, while import growth rose from 24.3 per cent to 34.4 per cent in

24.3 per cent to 34.4 per cent in the same periods. This pushed a \$1.2bn trade deficit for the first six months np to \$2.2bn in the third quar-ter, making a \$3.4bn deficit in the first nine months. Local observers estimate that this

A current account deficit of around \$2bn is then likely after invisible earnings - including tourism which is rising at about 25 percent a year - arc about 25 per cent a year - are taken into account. Last year's current account deficit was much lower at \$300m. This is not regarded as a cri-

sis in balance of payments terms, but it does curtail policy options open to the government because it illustrates China's problems in restricting imports at a time of rapid economic reform. It also ahows how difficult it is for China to sustain the remarkable export growth of over 30 per cent in Different sets of figures are

produced by the Ministry of Foreign Economic Relations and Trade in Peking, but these are compiled from a narrower hase than the customs' statis-tics and are not considered to be as reliable by either the Government or diplomatic

Streal.

Liu Xiandong, the Ministry's spokesman, saye that in the first nine months of this year exports rose by 14.1 per cent above the same period last allowed to keep 80 per cent year, while imports grew much from this year, apart from light engineering, textiles, and arts faster at 26 per cent. But he argues that seasonal fluctuaand crafts which will go up tions are expected to iron out next year. This ends geographical vari-ations, apart from Tibet which the widening deficit by the and of the year and produce a

"small surplus". He expects the official 1990 target of \$38bn exports to be exceeded next year, compared with \$24.7hn last year, despite the country's serious problems of inflation and chortages of can keep 100 per cent. It also reduces special treatment provided for the country's four Special Economic Zones where of inflation and shortages of raw materials.

Special Sconomic Zones where companies np to now have been able to keep 100 per cent and now drop to 80 per cent. The changes mean thet the electronics and other companies (apart from those in the

### Currency swap shops are legalising the country's virulent currency black market

sharp curbs on the influx of luxury items such as cars, TVs, fridges and other consumer durables which had escalated - known as the "grey mar-ket's swap shops" - and offi-cially sell their surplus foreign

The export growth has been led by textiles and by the currency for local yuan at something approaching black machinery and electronics industries, which have schieved a 70 per cent increase market rates, so doubling offifrom a very low base. This fol-lows relaxations of foreign cial values. exchange arrangements which have acted as a partial devalutherefore almost doubled by using this parallel foreign exchange market, while joint ventures have far more flexibilation for these and other sectors and have belped to boost foreign-owned and joint venity to run their businesses. ture industrial companies export earnings by more than 100 per cent at \$570m in the first half of this year, accord-ing to the Ministry's figures. personally to the swap centres to do deals under the aegis of the State Administration of

Electronics and machinery exporters who exceed their quotas have, from this year,

Decline in export growth example foreign exchange-rich hotels - and they strike direct been allowed to keep all their aurplus foreign exchange instead of having to hand over 75 per cent to the government at the official rate of exchange. deals by telephone, reporting them later to the State Administration. All other industries have been

These currency swap shops which have opened in most major cities during the past 20 months, are legalising the country's virulent currency black market. The government is tacitly accepting that it needs two exchange rates: one official for internal use, which cannot be devalued because of the economic and social havoc that could wreak, and one external which recognises the international value put on China's closed currency.

Reali

Other measures which have helped exports include mainte-nance of the peg of the Chinese currency to the US dollar when the dollar was devaluing last year. Stern instructions to export were also given to trade associations, backed up with necessary foreign exchange, and similar export directions have also been included in deals struck by the central government with provinces and lower tiers of authority under the rapidly-expanding contract responsibility system.

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Liu Xiandong acknowledges that further measures are needed if the export growth is to be sustained. These include: making the contract responsibility system work effectively; stopping inflationary and sometimes corrupt trading deals between different provinces and other authorities; strengthening the administration of licensing and quota systems; and carrying through the new foreign exchange retention arrangements which will iron out anomalies between provinces.

out of control.



The export earnings are

Initially companies had to go

Exchange Control. But now they discover which other com-

panies in their localities are

regularly in the market - for

## FINANCIAL TIMES WEDNESDAY DECEMBER 14 1988

# CHINA TRADE WITH CHINA IS GROWING

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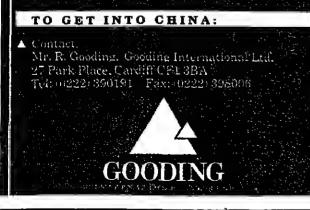
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The traffic increases: forries queue to cross into China, left, while people queue, right, for their visus outside the US consulate in Hong Kong

### Continued from previous page democratic election process for Hong Kong shows little faith two or more four-year terms after that. It will also have strong control over who is

elected to the SAR Legislative wide range of issues by the Sino-British Joint Llaison Group, which oversees imple-mentation of the two countries' Council from 1999. This may ease the transfer of power and avoid economically damaging clasbee between, say, a liberal chief executive Joint Declaration of 1984. Subjects range from Chinese troops taking over from the and Peking. But it has angered British garrison, to the organ-ising of direct relations for liberals in Hong Kong. The next stage in the process will be publication of the new draft Hong Kong which will con-tinue after 1997 with interna-tional bodies like Gatt, Unctad, early next year and there will then be further consultation before the final version is writ-WHO, ILO and Interpol.

ten and promulgated in 1990. Meanwhile, considerable progress has been made on a At the same time China is increasing its infinence in Hong Kong where no major

governmant decision is now taken on an issue having post-1997 implications without, Peking being informally sounded out. Gradually mainland interests will also make themselves felt more in the colony's affairs in other ways for example a Bank of China senior official has recently been elected to Hong Kong's new stock exchange council.

ever, without their problems. Peking itself has been embarrassed by exposure of massive corruption involving trading and other offshoots of mainland authorities in the colony. The best known is the Hong Kong branch of Peking-based Kanghua, a government-owned company closely linked to Deng Xiaoping, China's vet-eran leader. Xinhna News Agency's office in Hong Kong, which is China's unofficial gmbssy in the colory is con-

The closer commercial and other links between Hong Kong and China are not, howembassy in the colony, is con-ducting inquiries into the

## AGRICULTURE

activities of dozens of other off-shoots, several of which may have to close.

Another problem is the risk of China's rampant inflation hitting Hong King because of the close economic and trading ties. Hong Kong's inflation rate is now between 8 and 9 per cent. It has been protected so far from China's 30 to 30 per cent or more by the grey and black markets in exchange rates which roughly halve the value of the yuan against the

But eventually that may not be enough. The monthly magazine of Hong Kong's Hang Seng Bank said earlier this month that a 1 per cent increase in export prices would raise Hong Kong's consumer price index directly by 0.2 per cent because of the weight of China's trade in the index.

This illustrates how the ties between the mainland and Hong Kong are growing stron-ger economically, even though there are still major debates about bow much control Peking should and will exert after 1997.

John Elliott

# Shortages present grave political problem

Cotton production, stagnant

the state, but in some cotton-

year or two ago, and fertiliser

conference called in November that it would be impossible to

step up state investment in

farming in the next two years. He focused on a cheaper

labour to patch up water con-servancy. This seems short-

sighted since, as he pointed out, even if China hits its tar-

growth will mean average

yearly consumption per head will still be only 400 kilos.

The one rural success story

Premier Li Peng said flatly

is still dearer

CHINA'S once-bailed rural since they maintained the dykes and irrigation ditches, snpplied machinery, and helped to provide inputs such as fertiliser and plastic sheet-ing. Today individual farmers pay little attention to mainte-nance away from their own fields and they count afford reform, for years the beckbone of Deng Xiaoping's modernisation policy, has gone sour. For the fourth year in succession, grain output will fail to equal the record 407m tonnes harvested in 1984. Prospects for improvement next year over the expected 1988 harvest of fields, and they cannot afford the expensive chemicals and under 400m tonnes are not fuel needed to increase out-"We are facing a grim situa-tion," said He Kang, the agri-culture minister, in November. "In recent years ontput of DUIS.

production has finctuated. Due

farmland and rapidly increas

ing consumption, once-allevi-

ated grain shortages have

The question of grain is a

grave political problem over

which China's reformers and

conservatives are split. Dread

of hunger in the huge cities of the eastern seaboard haunts

the conservatives, while the

reformers believe that imports

can fill the gap. But now even the reformers recognise that grain imports are costly and likely to become

more so this year as world

stocks shrink, and there is

unanimity over the need to do

aomething though Peking

partly the outcome of the weather, which since 1984 has

not equalled the favourable

summers before that. This year drought and floods hit 52m

hectares of farmland, He Kang reported. Before 1979, the old

communes might have coped

The fall in production is

appears uncertain what.

again become acute."

Currently, officials say, a third of China's reservoirs are too unsafe to operate near capacity, the irrigated area has grain has stagnated, while hog dropped severely, and motor pumps are broken - notably in Anhul province where this to continuously growing popu-lation, gradually decreasing year 70,000 failed to function.

This problem has been neglected by the state, which happily creamed off the benefits of larger crops in the early 1980s without investing cash in making sure they continued. Nor has it tackled the question of too high input prices. And it bas allowed the newly-ricb peasants to build houses and factories all over good farmland which has significantly reduced the acreage available. A change which helped to launch the problem came in late 1984, when, as part of the rural reform, farmers were freed from the obligation to produce a minimum amount of grain. Not surprisingly, since the prices they got for grain were low, they turned to light industry, growing vegetables or raising ducks. If they stick to grain and use chemical fertiliser and pesticides, they cannot recoup their costs out of what the government pays

them "The state price for grains is

22 fen (100 fen  $\approx$  1 yuan) for a half kilo, and the production cost is 35 fen." says Lu Yonghua, divisional chief at the Commission for Restructuring the Economy. "Even if farmers get subsidised chemicals, their costs are still 31 fen."

And this year there is a new cash flow problem. The Agri-cultural Bank normally pro-vides funds for the state supply and marketing co-operatives

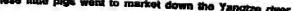
which buy up quotas of grain and other commodities. Now the run on deposits provoked by rising prices has cleaned out the Bank, which is trying to pay deeply sceptical farmers with promissory notes.

Higher prices for the farmers would mean bigger subsidies for the consumer, since Peking does not have the nerve at present to pass on costs. One way and another, state food subsidies are already yuan 70bn, about a quarter of state revenue. While division chief Lu is hopeful of raising the prices next year, other Chinese. officials are less optimistic because of the inflationary effect.

Contributing to the shortage is local industry, which this year grew 30 per cent. This now provides jobs and incomes of grain is the rise in animal busbandry. This has long passed the stage when the for a buge number of surplus household pig could be fed on scraps. Feed grain now takes a 25 per cent slice of total use. peasants. But this more-or-less private industry is eating into raw materials and energy sup-This is beneficial in that meat production (80 per cent pork) has risen from under plies, often needed by more efficient - or more influential - factories. It remains to be seen how far this vulnerable 17m tonnes in 1984 to a probable 23m tonnes this year, but worrying because China can-not afford it. Again, for fear of trouble the government will not pass on the real costs to but vital sector survives Peking's current economic clamp-down

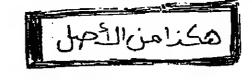
Colina MacDoucali

the customer, and instead has dodged behind pork rationing and subsidies. like grain since 1984, has been ted by similar problems. All farmers are supposed to get a quota of cheap inputs from growing provinces less than half were delivered. Free-mar-ket supplies are simply too expensive. Pesticides now cost four or five times their price a at an important rural work option, mobilising peasant . get of 500m tonnes of grain in the year 2000, population





## Hong Kong dollar.





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Steven Butler describes industry's dilemmas

## **Realm between two tracks** SOME Chinese factories in

recent years have begun to use two statistics to describe how their hnsinesses have per-formed: the output value, and the sales value.

A discrepancy between the two need not signal a big stock draw or build, but rather a dif-farence between realised prices and official prices, which are used to calculate output value.

the Chinese in classic verbal shorthand refer to as the "twotrack system.

Chinese industry has now entered an uncomfortable realm between between central planning and the market economy, between state control and omy, between state control and enterprise autonomy, and it often finds itself floundering for direction, even unsure of which statistic meaningfully

The Chinese leadership had always said that reform of the urban economy would be a far more arduous task than rural reform. They have now discov-

insight into the reform process really was. Chinese industry was vastly

inefficient, technologically backward, and subject to costly It is none the less committed political interference. factory reform, and has set

The process of reform, to start with, did not make dras-tic adjustment in the state industrial sector, but led to decontrol outside of it. Agricul-ture was decollectivised, and the green light given to collec-tive and private industry and commerce its task to "deepen" the responsibility system in factories. This consists of, first, establishing micromechanisms and material incentives to counteract incorrect signals given by the state price system; second, erecting stiffer barriers between controlled and uncon-COMMENCE

The extremely buoyant nontrolled parts of the economy; state industrial sector, which is antirely market oriented, is now approaching 40 per cent of total industrial output, grow-ing at a rate far in excess of and, third, moving at least experimentally to reduce excess staff in factories. The start of industrial reform was signalled in the the state sector.

late 1970s when Deng Xiao-ping, China's supreme political leader, rather boldly declared The state sector. The state sector none the less remains the backhone of Chinese industry, and the gov-ernment is understandably that it was noble to make a profit – this was close to polit-ical heresy at the time. The problem in China, then reluctant to take undue risks as it moves to squeeze more efficiency out of it.

and now, is that profit is a poor In principle, the government would like to eliminate virtu-ally all price controls and to measure of industrial perfor-mance because prices for key raw materials and manufacallow the state sector to be tured goods are fixed. Profits

ered just how wise this initial entirely market oriented. In in any industry are the results practice, its brush with serious of accidents of input and prodprice reform earlier this year has frightened the government away for the time being. uct prices, the quality of whatever equipment the enterprise happens to be stuck with and, of course, management skills.

Within the state sector rates of return have little infinence on the allocation of capital. Capital spending is still based, in the end, on physical planning targets, even though capi-tal is now dished out through the banks on the basis of a loan and not simply given away by the industrial ministries

Profit is none the less now seen as the key measure for fixing incentive systems, and is

the basis for paying taxes. Profit, or loss, is a target set individually for each factory based on historical and other criteria, and whether the target is met determines the size of a bonus and how much tax is paid, according to a prearranged scale.

These are the micromeasures aimed at combating the price system. They are simple enough in theory, but in practice require an enormous administrative effort to enforce, amounting, in effect, to a shadow planning and con-trol system as factories are given more formal autonomy.

They also lead to enormous opportunities for corruption. In which other country in the world are enterprise taxes, in effect, the subject of negotiation?

Pressure on the men who decide profits targets, and thus the amount of bonus available to put into the pockets of enterprise workers, are enormous. As controls have gradually come off the economy, or have been redefined, they have not at the same time been replaced by a universal code of commercial law, and a viable enforcement mechanism. The changes have often inadver-tently created instant winners



in almost Thaicherite style. to get rid of exc

and losers in a way that many Chinese find to be unjust.

All of this bas created a sense of chaos, particularly in a time of high inflation, and has set many enterprises looking for whatever means then can find to protect the interests of their own staff. With a "two-track" planned and unplanned system, these

opportunities are rife. Take, for example, the factory that produces substandard, unusable steel, perhaps only because the state will not allocate capital for new equip-ment, or it could not obtain raw materials of sufficient profit by passing them on to quality. Its bonus will not be the free market, where other state factories or collective paid unless it records a profit. Lu Yonghua, a division chief at the State Economic Restructuring Commission, industries will snap them up.

Having given np on price reform for the time being, Ln says this situation is somesays the government will now times resolved through a bribe focus on enforcing commercial to a state commercial organ, which takes this waste matelaws, pushing these sort of cases into the court system, rial at the official price to let it and adding pure, old fashioned rot in the warehou administrative pressure. But he is the first to admit that the

The China Daily recently reported that 27m tonnes of legal system and the trained steel, equal to 40 per cent of China's annual production, sits enforcement officers are not

in state warehouses. It These are the efforts to erect barriers between the planned unclear how much of this sort of steel is unusable, or how much has been stockpiled for and unplanned parts of the other reasons, such as fear of economy, an effort that has inflation and shortages, or sim-ple inefficiency in distribution. Enterprises having access to had scant success in any socialist economy. Finally, the Chinese have fixed-price goods, can often started experimenting with make an enormous, instant methods of reducing excess

the second s

Changes have often inadvertently created instant winners and iosers in a way that many Chinese find to be unjust

> enterprise staff. This is a tricky and controversial proposition because job security lay at the heart of the revolution. True to form, in almost Thatcberite style, the Chinese are using material incentives to accomplish this.

At the North China Pharmaceutical Corporation, in Shijiazhuang, zealous managers have managed to reduce a 9,100-strong work force hy 500 - an almost nnheard of accomplishment.

The method was simple. A work group leader was asked how many workers were needed to perform a given task, with a given bonus award. It thus became in the interest of the leader to reduce workers so as to increase everyone else's bonus.

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The excess 500 workers were evidently harangued by the factory leadership until they took other jobs, either in or out of the state sector.

This must have been an extremely painful process. "I had to put ont a huge effort," says Ms Li Zheng, chief of the plant's enterprise management section, adding with admirable understatement: "For the iron rice howl to become a clay bowl, you have to go through a process."

One worker, she says, was divorced by his wife when the wife found he was losing his job in the state sector.

Reform of state industry in China is plainly an enormously difficult task, and there is a real danger that the system may become stuck perma-mently in a kind of half-way house, retaining the worst fea-tures of a planned and a mar-ket economy simultaneously.

This danger appears all the more real because of haziness about just where the leadership wants to take the industrial system. Although more market-type measures and creative uses of material incen-tives are in the works, the leadership is still wedded ideologically to the notion of socialist, state ownership.

Share ownership systems currently under discussion for state factories appear to be more in the nature of complex incentive schemes rather than true ownership, in which capital can be freely bought and sold in a market.

So far there is no one in the leadership willing publicly to endorse a concept that follows directly from current thinking about the role of markets that a market for industrial capital, properly regulated, can make as much sense as a market for anything else.



Panzi coaliteid , Husinan, in Anhui province.

# High nuclear costs lead back to coal

WHEN THE economic reform process started moving in late 1978, energy, along with transportation and communication, was listed as a key bottleneck

The Ministry of Energy, an

amalgam of three separate ministries established earlier

this year, estimates electricity alone falls about 20 per cent, or 15 gigawatts, short of absolute

industrial needs. This does not

include the cushion of excess capacity that would be consid-ered essential in a developed

Generators are operating an

average of more than 6,000 hours a year, compared to between 4,500 and 5,000 hours

annually in France or the UK. Wang Wenze, spokesman for

the ministry, none the less

economy.

capacity of China's railroads. which are the most intensively used in the world, is taken up 

coal. Already 40 per cent of the

In the economy and the continues to the only solution possible for many years to come, is to flatten the load curve by rationing electricity to industrial users and forcing more plants to operate at night and close down during the day. China has had mixed experience so far with nuclear energy, and Wang says that China has put future develop-ment of the nuclear industry on hold until the turn of the century. China has two 900MW pres-surised water reactors of French design under construction at Daya Bay, and two 600MW reactors, designed by

burning has also raised concern about pollution in urban areas. Desulphurisation has been discarded as a practical solu-

tion for the time being because the capital costs are too high.

Instead, the height of smoke stacks is to be increased in

that runs through South East

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John Ellai

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expresses broad satisfaction with the growth of energy supply in China. He complains, however, that the industry is, in effect, capital starved, a conolem dition that must reflect the absurdly low cost of all forms of energy, as well as central

n energy, as well as central planning priorities. The low price of energy has an unfortunate side effect: it encourages waste and China's energy efficiency is about half that of developed countries. The 1987 increase in electric-

ity generation, at 19.3 per cent, was ahead of plan, and electric-ity is planned to grow by a further 10 per cent, or 8,000 kilowatts annually until 1990. The problem is that the gov-ernment lost control of the

industrial growth rate, which this year was soaring ahead at

over 17 per cent. Wang hopes that the prob-lem will case in the coming years as the government gains more control over the industrial growth rate, but admits that electricity will be in extremely short supply in China for the foreseeable future.

There are no easy solutions. China's principal coal and water resources are situated in the west, south west, and north west of the country, while industry is concentrated broadly along the eastern seaboard.

This means that any scheme to boost power generation involves enormous capital costs. China has toyed with the idea of building power plants close to coal mines or hydroelectric resources (of which less than 10 per cent have been tapped, according to govern-ment estimates), but the cost of installing long-distance transmission lines is daunting. At the same time, the transportation network is not up to the requirements of significantly increasing its haulage of

The low price of energy, as a side effect, unfortunately

encourages waste Kraftwerk Union, under con-

tion at Qinshan.

toward coal

ity is insufficient.

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moving ahead.

and a start of the start of the

The experience gained from these initial reactors will undoubtedly form a critical

technical base for moving forvard when the time comes.

But the principal constraint remains funding. The much higher capital cost of nuclear

plants has steered China back

China's coal production this year has grown by about 5.5

per cent and is expected to reach 950m tonnes by the year end. But some 20m to 30m

tonnes will end up stockpiled locally because railroad capac-

China's railroad system has simply not been able to respond quickly enough, and the railroad ministry has been

accused of standing in the way of an integrated plan for

energy development because it

operates as an independent

The Energy Ministry is

looking at other options to get round the transportation prob-

lem. These include, building of coal slurry plants, local pro-cessing of coal to produce

chemical raw materials, and

the refining of raw coal to

struction at Qinshan, near Shanghai. A 300MW PWR nuclear plant of Chinese design is also under construc-

under long-term contracts.

ally rising curve. 1968 produc-tion is expected to reach 140m-

by new drilling.

dunes 50 feet in height.

The steady increase in coal

ual introduction of liquified petroleum gas for use in urban households, to replace coal

demands in the domestic econ-omy, and the need to keep a volume of exports in order to earn foreign exchange. China's oil exports have drifted off in recent years from a high of 30m tonnes in 1985 to an estimated 27m tonnes this

About 18 per cent of China's foreign exchange earnings come from the oil trade. Much of the oil is also exported

China has given up hope of any surge in oil production. However, Wang says there is growing confidence that oil output can be kept on a gradu-

150m tonnes, compared to 134m tonnes in 1987. The Daqing oil field was affected by floods this year, but Wang eays that the drop in production was temporary and that production in China's older fields can be maintained

Some Western oil companies

how foreign participation will

Developing the region would pose a severe technical challenge. Seasonal temperature fluctuation can range over nearly 200 degrees, and struc-tures would have to be built in an area subject to drifting sand

order to disperse emissions more widely. Efforts are also being made to select low-sulnhur coals for urban areas. In new power stations electrostatic precipitators will be required to reduce particle emission. There is also a grad-

burning, although all of these measures have not been suffi-cient to keep up with the rapid increase of urban pollution. In the petroleum industry China is fighting a growing battle between increasing

an estimated 27m tonnes this year. However, Wang Wenze says that it is China's policy to maintain level exports, regard-less of fluctuations in the oil

China has reached no con-sensus on oll reserves in the Tarim Basin, which some in the oil industry see as one of the last potential fields of very large proportions waiting to be discovered

are anxious to participate in exploration and development of the area but China has made no final decision on whether or

be allowed.

reduce bulk. Local development of smaller mines is also 1 . . 2.25

WINNING LEADERSHIP IN WORLD MARKETS To receive a copy of Tootal Group's Interim Report 1988 write to: Audrey Lloyd - Kluchen, Director of Corporate Alfatrs, Tootal Group plc, Tootal House, 19/21 Spring Gardens, Manchester M60 271.

Tootal Group's advanced spinning mill in Guangzhou, China, a joint venture with the People's Republic, is now established as a major source of low-cost high quality yarn for the Group's thread companies around the world. A second mill in Tianiin will be even larger and more technically advanced and will also produce finished thread for export and sale in the Chinese market. The growth potential in the Asian thread markets and Tootal Group's own reputation in the region make this a vital area of opportunity. The Group's operating companies in South East Asia have grasped the opportunity. All have increased their market share and profits. Tootal Group is an international marketing-led group with sales of over £500 million. It operates in over 20 countries and markets its products in over 60 countries worldwide. The Group's broad base of textile interests has been extended to include office supplies, decorative homewares and advanced nonwoven materials. The Group aims to achieve leadership in all its markets by strategic development and utilisation of its global marketing, distribution and sourcing skills.

Tootal Group

CHINA 6

Here and right, Colina MacDougall profiles Sichuan province

**'Prosperous city enclaves'** 

mate remains to be seen.

as the French hotel group Mer-

idien plan a \$30m hotel in Chengdu and industrial pro-

jects with the US and Denmark

are under discussion. Surpris-ingly, the province has also attracted money from Taiwan. Sichuan has even branched

out into projects abroad, with

tion business in Shenzhen,

now investing in property in Canada. The provincial govern-

But the province has major

structural economic problems, of which heavy industry is one.

the 1960s of military industries

province, but none to burying

The kingpin of the vast stra-

tegic plan was the Panzhihua

steel complex, one of China's

biggest, in the far south west of Sichuan. At least this and a

handful of other enormously

expensive projects were even-tually finished, unlike some

which were abandoned because

them in the mountains.

THEY CALL it 'the Sichuan Army'," said dapper Ren Jianvin, ruefully referring to emigrants who have left China's most populous province in search of jobs. Pointing to its nearly 105 million people and the tiny area of cultivable land, Ren, who heads the province's trade and foreign investment office, was explaining why 2m or so Sichuanese had taken advantage of China'e new labour mobility to seek work elsewhere.

VI\*

Though a fertile farming province, Sichuan traditionally has suffered from over-population. But it was given a break when in 1979, reduced to abject poverty by the Cultural Revolution, it became the first of China's provinces to experiment with economic reform. Deng Xiaoping, himself from Sichuan, spurred its leaders, then headed by today's party boss Zhao Ziyang, to liberalise the commune system. Within a couple of years it was again exporting food surpluses. The province has always been cut off from the rest of

China. Ringed by mountains, it now includes to the west what was the huge Kham region of Tibet, currently the Aba and Garze Tibetan prefectures. In this vast region the population, often made up by minority peo-ples including many Tibetans,

is thinly spread. Many of the remaining loom or so are densely crammed into the eastern half of the province, where patchworks of tiny fields stretch as far as the eye can see. Two major urban centres, Chongqing and Chengdu, plus a few smaller ones, supply the industrial element. "One of our biggest problems is the contrast between levels of development in mountain, plain and city," says bespecta-cled Liu Zhipeng, secretary general of the provincial gov-

But the province is still a success story. The focus on agriculture has meant that this year, when prices were flying up all over China because of shortages, in Sicbuan they stayed relatively stable. "Our



grain, cooking oils, pork and salt situation has still been pretty good," said Liu. "But consumer durables like

colour TVs have been short. Prices went up because people nanicked " Chengdu, the provincial cap-

ital, looks a well-fed city, though it lags well behind the spectacular development of Guangdong. The markets are groaning with food and flowers. Restaurants, the locals say, stay open till midnight, feeding the gamblers and free marketeers in their fashionable (and, even in China, expensive) eather jackets.

ment plans to give tourist earnings a boost by opening the rocket-launching site at Xichang in the south to foreign Sichuan'e citles "look like prosperous enclavas in a nation struggling with infla-tion," the China Daily commented in October. Even more impressive, the province has achieved this at a time when the grain harvest has remained static, if not actually fallen, while wet weather has seriously affected some vegetables. to remote parts of the country to foil a possible American or Soviet attack. Chongqing was already an arms producer, so Despite its inland situation, Sichuan has turned enthusiastically to trade and the wooing of foreign investment. "Last there was some logic in bring-ing similar industries to the year our export value, was \$703m, and we expect it to hit \$850m for 1988," said Ren. About a quarter of that goes to Hong Kong, 10 per cent to Japan, with the rest spread

over the US and Europe. Among the mainly agricul-tural and light industry exports, one important com-modity is silk. The moist climate produces huge and luscious cocoous - so much so

of costs. But today the prov-ince is left with a skeleton of huge, scattered industrial that this year, as Peking's central control over the economy began to weaken and provin-cial squabbling surfaced, pro-ducers literally had to fight off plants, inadequately served by transport and losing vast sums greedy raiders from other provof money. inces in the so-called 'silk war'.

"It's not quite clear who they belong to," said Dai Xueming, polished vice-director of How isolated Sichuan will survive in this new and highly competitive inter-provincial cli-Sichuan's Planning and Economic Commission, seemingly Actual foreign investment in the province has reached \$30m, indicating be wanted nothing to do with them. "Currently with around 46 projects already on the ground. they're run by ministries in Peking, and we at the provin-cial level don't have either the Another 16 are planned, with total investment to reach \$60m. raw materials or the markets Hong Kong is the leading investor, but this may change for them."

Some rationalisation is taking place as the more efficient ones gradually mova to the city suburbs and turn to manufacturing civilian instead of military producta. For instance, Dai pointed out, the Chengdu Aircraft Corporation is making aircraft nose-cones for McDonnell Douglas.

the Jialing company as its win-dow in Hong Kong and Huaxi Co – a joint venture with a Hong Kong company – which originally operated a construc-But Sichuan is short of investment from the central government now that the coastal provinces get priority, and may not be able to afford the necessary renovation. Energy shortages are a further problem, as rural industry steps np consumption and spending on new power plants has flagged. Transport, too, is a headache, given the mountains and paucity of rail lines. Dai is hoping water transport can be exploited, though he recognises Sichuan is the heir to one of Chairman Mao's more disas-trous policies, the dispersal in that prices will have to come down to attract custom.

These difficulties are shared by many of China's inland provinces. Shared, too, is the resentment felt by many about the investment priority Peking has given to the coast. An embarrassed silence fell when provincial officials were asked what they thought of this policy, and heads turned expec-tantly to Dai, not the most senior official present but the weightiest, who expertly fielded the question.

"In general we agree with the strategy," he replied smoothly. "But of course we want more privileges."

Beaming elderly ladies hurl the finished bricks into waiting trailers AT THE Jingma New Village, they are used to VIPs. Four years ago Korean leader Kim I Sung came to visit, and the village's three-storey reception centre and asphalt road pro-claim it a show-place. An hour's drive from Sichnan's provincial capital and headquarters of Jingma Township, it lies in the heart of the fertile Chengdu plain.

which stretch to the horizon under Sichuan's permanently leaden skies grow rice, wheat, oilseed and vegetables. In November they were crowded with farmers hosing and scattering seed. Even if it is a show-place, it has real. problems - Jingma township has only a pocket-handkerchief of land about the size of a tennis

court per person, hardly enough to support life, let alone improve it. Jingma Township, an area of 1,100-plus bectares, is bome to over 15,000 people. This is char-acteristic of Sichnan's densely populated landscape. "Our bigst headache is finding people jobs," says Li Chuanjun, the capable township bead. The rural industry policy launched

by Deng Xiaoping has been literally a life-saver.

township's industry will over-take farming as e money-earner. Agricultural output has been stationary at around yuan 10m last year and this, but industry is booming with value rising from only yuan 9.8m last year to an expected yuan 11m this.

Impressive, not least so when yon take a look at the industry. In a large shed a labour force of 60 is desultorily making steel nuts - believe it or not, for export to Hong Kong. Quality control is a girl picking them up and idly turn-ing them over.

A few steps down towards the centre of the village, unnervingly next to the kindergarten, two men are installing equipment for producing lead oxide. The boiler looks as if it came out of the ark. A few doors from that is the pièce de résistance, a Chinese sausage

JINGMA TOWNSHIP Industrious show-piece

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FINANCIAL TIMES WEDNESDAY DECEMBER 14 1988

making factory (one of five in the township). Or maybe factory is too grand a term. A couple of dozen girls are stirring the mixture, stuffing the skins, hanging them up to smoke and doling them out into plastic bags for sale to Canton. The sausages were completely deli-clous (we had some for lunch) but the process was hardly mechania

A flour mill came next. Motive power comes from an ancient irrigation system with a handsome dragon's bead carved on the stone water conduit. Inside the mill a vertical wheel spins, grinding the flour, driven by a complex arrange-ment of stone and timber shaft

Half a mile away an amazing labour force of teenagers and elderly ladies is making bricks. The men have the fun jobs,

driving the earth movers that shift the river mud into the factory. When the bricks are sbaped and loaded onto a sbaped and loadeu onto a mini-railway, they chug through the ovens and out to the unloading yard. Beaming old dears hurl the finished product into the waiting trailori

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These Heath Robinson plants and many others generate an average wage of yuan 150 a month, which supplements what would otherwise be a very meagre living. Besides, the township runs three construction companies which currently have contracts to a value of yuan 7m - yuan 3m in Chengdu, yuan 2m in Tibet (where many Sichuanese go to find work) and yuan 2m in nearby Wenjiang county.

Jingma is not a sophisticated place. But it is resourcefully coping with the problems of poverty and overpopulation. Li Chuanjun, a local but with army experience in north China, is a man with drive. It would be nice to think that the township could continue to prosper despite current mismanagement of China's rural economic miracle by sbort-sighted officials in Peking.

Colina MacDougal

visitors



IN Shijiazhuang, the capital of Hebei Province, a trip to the Hebei museum is required to remind a visitor that this is an ancient place.

raw materials unable to meet tation with new methods of of these material prohibitively ity system in his factory. expensive, the factory now sits Responsibility eystems in most industries in China mean Tan says they have also been piece rates, and while piece rates encourage speed, they stong buying what appeared to be relatively cheap foreign equipment, only to discover often mean reduced quality. Zhang has managed to implement a far more subtle that spare parts proved extremely expensive. "These system, in which quality and problems have given us an raw material consumption is education," he says. factored into the the bonus sys These relatively straightfor-ward difficulties in dealing with the outside illustrate the tem. Electrical meters were installed throughout the factory. Computers were intro-duced to monitor electricity high price that provinces like Hebei have paid for their isola-tion, and they show why the consumption and stock control. Zhang talks fluently of varireform process in industry ous management theories takes so long to develop. Interpreters and drafters of imported from the West, and imported from the west, and which may or may not be appropriate for different types of operations. The result, in his case, was a broad upgrading of quality in the factory, so that Zhang is legal language cannot ba trained overnight, nor can technicians instantly master the latest foreign machinery and manufacturing processes. These difficulties of adjustnow able to guarantee meeting ing to outside contact come on top of the broader instability in exporting quality standards for shirting, for which the factory the Chinese economy caused by rampant inflation. receives a much better price. There is an evident realisa-tion among economic and industrial leaders in Hebei that reform is a long process, where Ye Liansong, first vice governor, says the province is pre-pared to move forward with the reform of enterprises in email victories are achieved spite of the temporary freeze on price reform, and it is here that the province evidently has plenty of experience on which one at a time. But a most important victory appears already to have been won, the moving into position of practi-cal men and women who are willing to face problems squarely, without prejudica. to draw. Zhang Yonbin, 46-year-old head of the Shijiazhuang num-ber four textile mill, rose to national fame after experimen-

The patchwork of tiny fields

Inside is an exhibition that would pass for a blockbuster in most Western citles - stun ning jade funerary suits, inlaid bronzes, ceramics, and a reconstructed tomb complete with chariots and mock soldiers.

Outside is the grid of boulevards for a planned socialist city of 1.4m, grandiose meeting and exhibition halls, dreary brick dormitories and, now, a growing collection of tall modern structures that are Shijiazhuang's contribution to the construction boom that has swept through China

Hebei, an ancient place, has a modern capital because of the way that the Chinese communist authorities carved up the political map when they took power in 1949. Peking, the national capital

located in the middle of the province, was hived off admin-istratively and took with it a ring of prime agricultural and industrial counties on its perimeter. Tianjin, the coastal indus-

trial and commercial centre, went the same way, leaving Hebel bereft of two of its biggest, most famous, and most industrially advanced cities.

A capital was first estab-lished at Baoding, and then moved further south to Shijiazhuang, a railroad town that sprouted from a small village early in the century when the line running south from Peking to Nanjing linked up with the major east-west trunk route connecting Taiyuan and

Completion of the railroad transformed the agricultural economy of the province because it provided a cheap way to move cotton from the farm to industrial centres in and outside the province.

Shijiazhuang has now grown into an important industrial centre in its own right, the hub of the province's textile industry, which also hosts a range of other industries that were established in the early 1950s, including China's biggest phar-maceuticals plant.

Hebei is now China's second largest cotton producer, and fifth biggest textile manufac-





turer, producing 1.2bn metres

last year. Hebei has, of course, participated in all the benefits of the reforms. The value of industrial and agricultural output has risen from yuan 29.9hn in 1978 to yuan 67.7bn last year. Exports have gone up even more fantastically, from \$276m

in 1978, to \$1.49bn last year. But it is clear that the

have taken over. The province is currently promoting Qinhuangdao, a sea-port on the Bohai Gulf, as an open city for foreign trade and

Tan Zushu, deputy director

"When we import machines, we also have to import management methods too," says imported one complete plant to and made sure that the con-

meant China, but the vendor assumed the phrase applied to his own country. With Chinese

reform process, particularly in Hebei industry, has only just begun. A younger leadership team has moved into key positions in the province's political and economic hierarchy, and in some of the big factories young, technically oriented, practical-minded managers

the provincial economic planning commission, says the province has had to go through a learning period, and has made many mistakes in efforts to import foreign capital and chnology.

Tan, citing one lesson learned. The lessons have occasion-ally been expensive. Hebei produce a synthetic flooring, tract had e clause specifying that the plant could be operated on materials from the

ated on material "home country", Provincial authorities assumed that "home country"

Steven Butler



Rural industry: peddling tricycles and carts

I HAVE been asked to convey a special message to the world from some good friends of mine. It is from a rural town-ship called Dahe, with a popu-lation of 23.200, on the out-skirts of Shijiazhuang city, in Wabel Province

Hebei Province. The local officials of the township, and the villages under its jurisdiction, are con-vinced that there is a great business opportunity for read-ers of the Financial Times.

When the world comes to understand that the people of Dahe are industrious and resourceful (and I can attest to that), they believe there will be no end to the stream of foreigners wishing to do business with them, investing, providing technology, buying their goods, from high quality corn starch to shoes, or even medical instruments.

Doing business with the outside world would, indeed, be only the final step in a complete transformation of life in this rural community since economic reform began 10 oush incomes up rapidly. years ago.

The process of change has been a near textbook case of what happens when a rela-tively isolated, self-sufficient economy suddenly opens itself to opportunities for ontside trade.

The economy, prior to the reforms, of course, was far from self-sufficient. The North China plain, where the town-ship is located, was broadly commercialised earlier in the century as railroad lines were built and demand for cotton grew in response to burgeon-ing textile industries in the

But the communist govern-



fertilisers and pesticide

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inch up.

alone. Net profits have more than tripled to yuan 7m or ment during the Cultural Revolution reversed this trend, forced communities to be self-sufficient, and used adminabout yuan 300 per capita. The gross value of industrial istrative pressure to force grain yields up in the absence of an adequate price incentive. Grain production rose fan-tastically in Dahe, but income output will be 3.5 times that of agriculture this year. Average incomes have risen by more

than five fold in ten years. The villages have built a fanstagnated as this was accom-plished by the application of tastic array of small industries that include paper manufactur-ing, edible alcohol, electricity high-price industrial inputs generation, casting of automo-When I first visited Dahe in bile parts, building materials, medicines, meat processing 1960 (and stayed for six month

and knitting. The most profitable of the new ventures is a factory that as part of a research project), the controls were just begin-ning to come off. The housing boom had started, and already bends tubular steel, and cuts small industries had begun to steel plates, welding them together into three-wheeled pedal carts, used for transport-ing goods or even people, that have proved wildly popular in The peasants had already in the main stopped eating hated corn meal and sweet potatoes for staple foods, and meat and both city and village models. It is no wonder that the cenfish consumption had begun to

tral government has become This was bound to continue concerned thet excessive buoybut I was unprepared for what had happened in eight years. ancy in rural industry may pose a threat to the economy, Industry accounted for a third of total production in 1979. By 1985, this had reached half of competing for scarce goods, moving ahead rapidly with new investments that run beyond the state's more careful the gross output of the town-

ship. Since 1985, industrial output Yet if the government sucof the township has grown approximately five-fold, to reach a projected yuan 60m this year. It doubled this year ceeds in cooling the economy by squeezing rural industry, cutting back bank credit or using harsher administrative

measures, there would also be a political price to pay. It is in townships like Dahe

It is in townships like Dahe thet the real constituency for reform lies. These are the peo-ple who have measured an annual jump in living stan-dards. These are the people whose productive energies were massively unleashed by the decontrol of the economy. A decade ago the occasional

A decade ago the occasional wealthy family might have a black and white television. Eighty per cent now have col-our televisions. Refrigerators are becoming common (there were none a decade ago), and half the families have washing machines.

On a brilliant sunny day in early November, thousands of villagers swarmed the streets. recently widened to accommodate the bustle. The occasion was the annual village fair, a custom revived in recent years after being suppressed during the Cultural Revolution.

Table after table of pedlars lined up selling all kinds of cloth. There were toffee apples for children. Hundreds of spectators packed in before a make shift stage where a traveling opera company performed.

A taste for the bizarre could be indulged in tha "flying cycle" show, where a motorcy-clist complete with jeans and sunglasses rode up and down inside a spherical steel cage. Across the way, a kung-fu art-ist lifted a bicycle in his jaw, while balancing pails of water

on each hand. You will not tell these people that economic reform has its dark side



Iron and leive

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On this page, Steven Butler profiles Xinjiang province and one of China's earliest joint ventures

XINJIANG is a Chinese province that fires the imagi nation. It is three times the size of France and contains a vast expanse of forbidding parched land - not just a hot desert where the scorching sun brings temperatures to 130 F in the summer, but where the mercury falls to 60° below zero in the chill of winter.

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The province, officially the Xinjiang Ulghur Autonomous Region, is ringed by tall mountains covered permanently by snow and ice. About 61 per cent of the population consists of non-Chinese minority groups who are different in language, culture, religion, and appearance. Forty-three per cent of the people are Ulghurs, who speak a variant of Turkish and whose round eyes and curly brown hair set them strikingly apart from the Han Chinese local minority (36 per cent).

Pastoral people continue to live in shifting abodes in Xin-jiang's stunningly beautiful Mountain meadows, On the figt land below the

mountains, most of the province's 14m residents are con-centrated in a small number of ouses where meagre rainfall is supplemented by rivers fed with melting snow and ice in the mountain

In ancient times, traders traversed the province along four east-west routes that became known collectively as the Silk Road, bringing fine Chinese slik to the near east, and even-tually Europe, and returning with precious stones, pearls or exotic glass beads.



The ancient cities and cases linked together by these trading routes are only now being ing routes are only now being systematically excavated. Many of the objects, which have been well preserved in the dry climate, can be seen in an impressive exhibition at the art museum at Urungi. As China has opened up, more and more of Xinjiang has been opened to the outside, giving rise to a thriving tourist trade.

Only 100 foreigners visited the province in 1978 when tour-ists were first permitted. Over 70,000 visited last year. It is easy to imagine that one day Xinjiang could become eco-

nomically developed, and its residents would become the envy of all Chipa, There is

space in Xinjiang, as there is nowhere else in China, and the vast expanse of open land and rugged mountains will one day be recognised as an invaluable natural resource for a population that has wealth and leisure time. A ski resort is now ing planned not far from Tramo

This development could be fuelled by Xinjiang's rich min-eral and fossil fuel resources. It has China's largest reserves of coel, and a debate is still raging about how much oil lies beneath the desert basins. Local officials claim about

140bn barrels of prospective total reserves, a number which would have geopolitical signifi-cance even if it is vastly exaggerated and only partly recoverable. its minerals could support

the development of virtually any sort of industry. Yet the vision of a developed

and highly prosperous Xin-jiang lies many years in the future and, in the mean time, Xinjiang is faced with a num-ber of caunting obstacles to its economic growth. This huge area has few links with the outside world. A single-track railway line connect-ing Urumqi to the central regions of China opened in 1963, and is now clogged and inadequate.

Although the building of a second track, or even possibly an oil pipeline, is under study, first and more practical efforts will be directed toward build-

ing more bypass spur lines to increase the capacity of the existing track A steady stream of trucks,

many privately owned, now make the long journey to east-ern China loaded with fruit and other products from Xin-jiang. The hot summy days and cool nights produce melons and grapes that are unbelievably sweet.

In Beshgram township, in the outskirts of Keshgar, 2,000



Uighurs' round eyes and carty brown hair set them strikingly spart from the Han Chinese

men are engaged in this trade full time out of a total population of \$1,000. Yet even the profits that can be earned by this kind of trade,

would be severely eroded if transportation fuels were priced anywhere close to a market prices. The irrationally low prices

for raw materials helps Xinjiang's farm economy but it hurts the province more fundamentally in its most promising industries, coal, oil and other raw materials.

The official procnrement price for Xinjiang's light, low-sulphur oil is about \$4 a barrel

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at the official exchange rate. This is a price that would bankrupt most oil operations around the world.

The losses in the case of Xinjiang are covered by the state, but there is inevitably a severe distortion in development plan-

The obstacles to developing Xinjiang's links to eastern China are daunting enough that the province has begun to look toward the west, toward trade with the Soviet Union.

This trade has grown explosively in 1988, with contracts worth 200m in Swiss francs (£75m) signed in the first 10

while balance is held by one Japanese and two Hong Kong parters. The Chinese contribu tion came in the form of raw material supply, cashmere and lambswool, both of which are increasingly valuable on international markets. These are indigenous products that come from Xinjiang's extensive pastoral regions, and the supply has continued to expand. The Chinese also, of course, have supplied labour which is very cheap

The partners have taken care of the design and market-ing end of the business, thus providing an interface with world markets and making up for lack of Chinese experience. The foreign partners also introduced the basic technology and machinery. Zhou says the for-eign partners provided a criti-cal contribution by guiding the factory in management meth-ods. So far, six groups of five or six employees of the factory have been sent to Japan for

Land that could be the envy of all China months of the year. This com-pares with SFr21m traded in

the whole of 1987. The trade is on a barter basis, with nominal prices negotiated in Swiss Francs. The Chinese have a good appetite for Soviet heavy industrial goods and consumer durables

trucks, fertiliser, steel, refrigerators - while the minority groups who live in the Soviet border region have an even better appetite for Xinjiang's textile and clothing products.

The trade has dsveloped quickly in the wake of decentralisation of both countries' funds. foreign trade systems in recent years and promises to receive another hig boost in 1990, when a direct rail link between Urumqi and the Soviet Union is completed, with Soviet Onion is completed, with Soviet finan-cial support. Xinjiang officials hope the link to the Soviet Union will

also provide a more practical route through which to market goods in Europe. In spite of the severe con-

straints facing the economy, Xinjiang has managed to progress quickly since the economic reform process got under way in 1978. The economy has grown by 11.7 per cent annually since in the past decade, compared to a national average of 9.5 per cent. Per

Tienshan has introduced the Japanese system of quality cir-

The ratio of management to workers, says Zhou, is about half the typical Chinese factory, and the payment system severe. Payment is essentially by piece rate. The average ic wage is fixed at yuan 230 a month, but this can be docked by failure to meet minimum quota standards. The average wage after adding in bonus payments comes to yuan racial conflict are all there and 320, a total which is at least there is evidence that it double typical wages in the remains an endemic problem.

The conflict is rooted in the massive migration of Han Chinese to Xinjiang since the revo-lution, a migration which some local people view as something of an invasion. Long-term for-eign visitors report open tension among the races in public.

calls to promote racial harmony recently provide evidence that the authorities believe a problem is at hand.

HARBE

# Well-knit enterprise

JOINT VENTURE

URUMQI, the capital of the Xinjiang Uighur Autonomous Region, will be on few Western businessmen's short list for China's most attractive investment sites. The city is built on an casis in one of the world's most vast deserts. It is industrially and technologically backward compared even with the central regions of China. And transportation in and out of the region can be a nightmare.

Yet Uramai is home to one of China's earliest and most profitable joint ventures, the Tienshan Woollen Spinning and Knitting Company. Estab-lished in 1980 in the first wave of joint ventures, Tienshan started with investment cavital of \$22m. A first dividend was paid in 1984, and a \$10m start-up loan was repaid in 1985. Tienshau's net profits have risep by just over 100 per cent annually, hitting yuan 120m last year, and sales have gone up by an average of 53 per cent each year. Tienshan is also blessed with abundant foreign exchange.

abindant foreign exchange, since over 60 per cent of its products are exported. The company earned \$65m of for-sign exchange last year alona, more than enough to allow repatriation of profits for for-eign payments

eign partners. These profits have been fur-ther boosted because now that over 50 per cent of the factory's output is exported, the government has cut the profits tax by 50 per cent as part of an export

incentive scheme. By next year the capacity of the factory will double to 2.5m articles, from a current 1.3m, as another fac-tory building comes into opera-Tienshan produces high quality, knitted, cashmere and

Europe, and North America. The Chinese produced reason-

However, when China's

The average wage is double the typical local rate

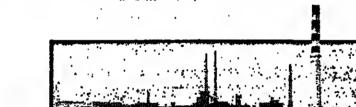
Western markets, both because machinery was old and because management methods

were not up to par. Zhou Peidi, vice general



pany is held by the Xinjiang government, with 624 per cent.

extent, are typical in any joint venture industry. The major share in the comining, and 14 to Hong Kong. tra



The final difficulty of the operation is that Urnmqi is located in the midst of a huge continental land mass where rail and road links are woefully insufficient. Because Tienshan's products are light, and carry a huge mark up, how-A series of strident official ever, it is economic to air freight goods to Canton, from where they are transhipped to the company's Hong Kong

VII\*

capita prodoction is only about 20 per cent below the national average.

The growing prosperity is obvious everywhere, from a building boom in Urumqi, to the colourful and busiling Kasbgar Sunday market, which has grown steadily big-ger as incomes rise in the villages surrounding this Uighur CITA

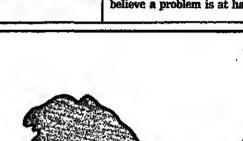
Severe poverty has not been eliminated in Xinjiang, but it is plain the province has done plenty of catching up, with some support from the central government

Of the yuan 5bn of capital spending in Xinjiang in 1987, over half came directly from the central government. In Kashgar Prefecture, the local government budget came to yuan 337m in 1987. Only yuan 55m of this came from local

This is not simply an act of generosity on the part of the Chinese government. Kashgar prefecture borders on the Soviet Union and is just a day's bus ride over a newlypaved road to the Pakistan border. With over 80 per cent of the local population composed of Uigburs, the government must take positive steps to assure that racial harmony and loyalty to the central government prevail.

Government officials give assurances that harmony does indeed prevail, and there is a concerted effort to co-opt Uighur and other minority cad-res into the leadership corps. After a period of suppression during the Cultural Revoln-tion, there is now religious tolerance, and incomes have risen enough to support an annual pilgrimage to Mecca for a few

thousand believers Yet, down to the county level, all Communist Party secretaries are Han Chinese. It is impossible for an outsider to assess fully how successful the Chinese have been at assuring racial harmony. It is clear that the situation in Xinjiang cannot be compared to the severe problems that have occured in Tibet. But the ingredients for



HLAN

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**POWER** in CHINA

tion. abundant foreign exchange,

lambswool garments, which have grown increasingly popu-lar in its main markets in Asia,

able quality cashmere and lambswool sweaters long before 1980, for practical minded sorts who wanted to stay warm in winter, These garments were popular in Hong Kong, with its Chinese population, much of whom came from the mainland.

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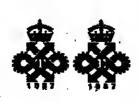
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FINANCIAL TIMES WEDNESDAY DECEMBER 14 1988

John Elliott looks at change in the old port city of Shanghai

CHINA 8

# Less chop speeds up bureaucracy

"investment environment"

order" which means reducing

en more delegated powers

mapped out.

mission

SHANGHAI is on the move. After years of decay, it is being driven by its new "one chop Mayor, Zhu Rongji, into the initial stages of the rebuilding and economic growth needed to re-establish this great, styl-ish and friendly old port city as China's commercial capital. "One chop" is the slogan

raised by Mayor Zhu, posted here in April from an economic vice minister's job in Peking, to illustrate the way he is speeding up the bureaucracy. He has decreed that only one rubber stamp - or chop as it is called in China - should be needed for industrial investment approvals instead of as many as 100 or more.

He took over from Jiang Zemin who is the city's Communist Party Secretary - so the city is now run hy two reformers. "Foreign Investors will not be let down" is the slogan of Mayor Zhu, who has said he wants to raise as much as \$10bn in foreign investment within three to five years -the Peking approved target is \$3.2bn hy 1991. "We cannot guarantee you will make a profit here, but if you do make a profit we will not be envi-ous," he has told foreign investors

The starting point for change is e new formula for the emount of its revenues which Shanghai is allowed hy Peking to keep. This is produc-ing \$4.8bn this year, or 31 per cent of the total revenues compared with 23.5 per cent last year. Its revenue collection has been declining for the past three years, reflecting problems with its infrastructure industrial performance which it is now tackling.

The city is also reasserting itself as a financial centre, taking the lead on pace-making reforms connected with ownership such as development of an embryo stock market which it hopes to expand next year beyond its present small number of only six companies with traded shares.

It is also trying to establish a rational balance between development of service and manufacturing industries, correcting imbalances caused by the country's political policies before the 1979 reforms

Shanghai used to be the finance centre until 1949 when the role of finance was ignored



### Roadside food stall. Shanchai

or negated as e tool to give vitality to the economy and to regulate it," explains Chen Dingping, e senior vice presi-dent at the Shanghai Investment and Trust Corporation. "Now it is recognised as a good tool - we don't regard it nec-essarily as a capitalistic thing, but as e tool to help the econ-

Shanghai, which was pnnisbed hy Peking between 1949 and 1979 for being the old home of capitalism, still has to move relatively cantiously. "As the country's industrial and financial centre, Shanghai has an important strategic position in the progress of the country's open door policies," says He Gaosheng, director of the city's Office of Economic System Reform. "So we have to be specially sure when we are introdncing reforms that they are right, because once a mistake is made in Shanghai it will have an impact on the whole nation. We have mede no

errors in the past 10 years. He is sure enough of his ground - despite the Pekingled slow down in reform - to talk about the urgent need for "major breakthroughs to get significant movement" at the start of the third stage of the country's economic opening

up. This attempt to sharpen national policies for Shanghai's

dismiss employees, and count needs will take 10 years in three stages says He. The aim less problems with bureaufor 1989-90 will be to deepen cracy including charges for ntilities, customs duties, and economic reform, improve the other taxes. and also "rectify the economic

Industrially, Shanghai is aiming to build on its scknowlcorruption. From 1990-91 edged record. First it needs to onwards all the reforms listed rebuild its infrastructure. It above should be done "on a full has recently concluded a \$220m scale to see if a framework comes into being". In the third loan agreement with West Germany for the first 14km stage of its long-delayed mass transit stage, depending on progress, existing reforms would be underground railway which a accelerated or new reforms West German consortium led by AEG and Siemens hope to A Foreign Investment Combuild. It is negotiating with mission was set up in June to implement the "one chop" pol-icy. Shanghai has also been Philips of Holland, backed by Dutch loans, for airport extensions, and is borrowing \$150m from the Asian Development by Peking to approve capital investment projects and has itself further delegated powers Bank for a new bridge over the Hoangpu River, World Bank loans of \$145m are being proto districts and counties within its purview, "We are delegating vided for water treatment works.

powers and strengthening macro control," says Lu Guox-It is also developing key ian, senior member of the Comindustries such as cars, aircraft, and space, and is starting Foreign companies with joint to modernise 10,000 old ventures such as Volkswagen run-down enterprises. Foreign companies such as Johnson Wax, Xerox, Cabot and Mitsuwhich is producing its Santana car, Pilkington which has a float glass plant, and Inchcape bishi have been providing with a port handling and trucking business, all say they funds and equipment to modernise plants as well as starting new projects. In addihave been helped in recent months by the Commission to tion, foreign companies are sort out problems such as for-eign exchange, availability of scarce raw materials, rights to buying property for development in three new special development zones.

It is tempting to suspect that Shanghai's new vitality has been partly motivated by a fear of being eclipsed when Hong Kong reverts to Chinese sover-eignty in 1997 and brings its highly developed and sophisticated international financial operations into China's economy. No one will admit to this though there is considerable, if grudging, edmiration for what Guangdong province, adjacent to Hong Kong, has achieved in the past decade.

The Mayor has acknowl-edged that Guangdong is a more attractive place to invest and that it has a more deeplyrooted market economy. That was a major admission for the leader of this grand old city which sees Guangdong as an upstart with no real industrial base. Now Shanghai hopes it might gain from the disfavour into which Guangdong has fallen because of its rampant corruption.

It is too early to say whether all this will really transform Shanghai to its former central commercial role in the new, more open China. But the mood is certainly there and the enormous release of energy is quickly discernible. It cannot all be done simply with "one chop", but a beginning has been made.

to maintain quality ON THE banks of Shanghai's Huang Po River, Pilkington of the UK is successfully producing about 180,000 tonnes of float glass a week to international standards at a \$120m plant which is now emerging from two or three years of

teething problems. Pilkington is providing the technological and managerial expertise, but plans to remove all its management, in line with China's wishes, by the end of next year. It is only a minority shareholder with half the venture's 25 per cent foreign-held equity stake - the other half is owned by UDI of Israel, a trading company, through a Hong Kong subsid-

"We are a Chinese company, with China owning 75 per cent of the equity, providing all the raw materials, and taking 85 per cent or more of the sales," says Dr Terry Ginty, the gen-eral manager appointed by Pilkington. "So our aim is to withdraw our four remaining executives including myself by

the end of next year - an that target looks satisfactory." This is one of two interna tional joint ventures for float glass which started production last year, after some delays. The other, Guangdong Float Glass, involves PPG Industries of the US, Pilkington's bitter rival, and is located in the Shenzhen special economic zone of the southern province of Guangdong. It is a slightly smaller \$100m project with a capacity of 3,000 tonnes a week, compared with Pilkington's 5.000.

Dr Ginty hopes by the end of next year to have imboed enough quality consciousness into his company's management, which includes his Chinese current deputy and heirepparent who is a former Communist party secretary, for them to take over effectively. If things go wrong, however, Pilkington will attempt to wield authority through its seats on the board of the com-pany - called Shangbal Yaohua Pilkington Glass - and its equity stake. "There is no natural Chinese

concern for quality and appearance," says Dr Ginty. "People

say 'Why do we have to scrap this lovely large piece of glass just because of that tiny flaw. But we have insisted on not having two qualities here, one for export and one for domestic sales

JOINT VENTURE

Management strives

Management is difficult, as Dr Ginty explains: "Taking responsibility is not a Chinese characteristic. Their habit is collective talk and, if you are lucky, a decision taken far too late for a process line product like ours. So we are putting together managers and team leaders who will gradually learn to take responsibility and decisions round the clock.

"We are achieving this by sheer persistence and hy ban-ning the words Tt is not my

"We are banning the words 'it's not my

responsibility', which is the reaction when

there is a problem"

responsibility', which is the

usual reaction when there is a problem.

Like most joint ventures, all managerial contact is done through interpreters. "No Chi nese manager speaks English well enough, so it is very very important always to speak through an interpreter to ensure there is no misunderstanding," explains Dr Ginty.

Different ownership structures and contract details have led to sharp variations between the Pilkington venture and PPG Industries which shares a 50 per foreign equity stake equally with the Srifuengfung business family of Thailand. Whereas Pilkington, with

part of only a 25-per cent for-eign stake, is expected to with-draw its management by the end of next year, PPG as a stronger partner expects always to have "one or two of our people here, either as advisers or in a line function," according to Mr Douglas Ayling, the treasurer.

There are also sharp differences in arrangements for raw material supply, especially soda ash which is a major basic ingredient and has to be imported, end in targets for exports and foreign exchange. This partly reflects the fact that Pilkington's is a majority-Chinese venture while PPG's is 50-50. But it also shows that there is no single formula for negotiating e joint venture in China.

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Pilkington, with the help of one of its partners, the Bank of China, pays local currency for its soda ash imports and so only needs to export 15 per cent of its production to generate the foreign exchange needed to pay off loans and import spares. Dr Ginty says venture could not have found exports to cover the foreign exchange cost of the soda

But the PPG venture has to pay foreign exchange for all its imported US-supplied soda ash and has used its US parent company's contacts to find customers for its glass in Australia, New Zealand, Japan, Hong Kong (and probably thence to Taiwan), Singapore, Sonth Korea, India, and the Middle East. It has raised its export target from 50 per cent of its net 350-tonnes a day produc-

tion to 60-70 per cent. Mr Ayling says that being within e conple of hours con-tainer lorry drive to Hong Kong is e "great advantage to get exports out - if we were not so close it would be impossible to do the transport". Despite inflation of 30 per cent or more in Guangdong province, and some basic prices like timber doubling in a year or so, the PPG group is happy enough with its results to be looking at several other joint ventures in glass and other

But both companies have managerial problems that will not go away. "There is a popular slogan in this country they say: 'We must have advanced Western management to make advanced Western technology work'. I use that often to remind them of what that says we must achleve," says Dr Ginty.

## Colina MacDougall profiles Tibet



"I'M OFF home now," said Danny Cheung, sales manager of a leather handbag factory in Dongguan, a thriving city in the southern Chinese province of Guangdong. He was not going home to some other part of Dongguan, hut back across the Chinese border to Hong Kong, only two hours' journey hy car and train. Cheung's journey at the end

of a working day illustrates the inter-dependence that has developed in the 1980s between China's prosperous mixed-economy province of Guangdong just across the horder from Hong Kong. Increasingly the two areas rely economi-cally on each other, building bonds which will make them almost inseparable long before they formally become part of the same country in 1997 when Hong Kong reverts to Chinese sovereignty.

Hong Kong dollars are widely and officially accepted instead of the domestic cur-rency in this test-bed for China's economic reforms. Some observers estimate that as much as HK\$6bn - about 20 per cent of Hong Kong's total notes and coins - are circulating in the province.

Even botels and restaurants prepare bills for foreigners in Hong Kong dollars rather than China's Foreign Exchange Certificates. Elsewbere, much of

> - CHINA -**JOINT VENTURES**

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John Elliott profiles Guangdong province

## **Inseparable before 1997** estimate as many as 2m - Chi Guangdong

nese workers. Ding Lisong, a deputy secre

pore.

Chinese.

The other 80 per cent comes

will earn US\$100m in fees and

the currency changes hands at grey and black market rates which devalue the yuan from its official rete of yuan 47 to tary general of the Guangdong HK\$100 to as low as yuan 100. Three of China's four Special provincial government, says that this has given the Pearl that this has given the Pearl Delta a floating labour popula-tion of 1m, mostly young unmarried women with an average age of 20. At least 250,000 come from other parts of China, and the remainder from elsewhere in the prov-Economic Zones, which are customs-free areas geared to foreign investment, are here in Guangdong. The most prosper-ous, Shenzhen, is adjacent to Hong Kong and, in effect, pushes the colony's customs barriers and entrepot operations well into the mainince. They earn not less than

yuan 850 a month, maybe rising to as much as yuan 600 with bonnses, which is far Cheung's company, Miao, is one of 60,000 husinesses in Guangdong, mostly from Hong Kong, which use China's cheap above the yuan 150 paid in State-owned enterprises. This is well below the HK\$ equivalabour and facilities to process lent of yuan 1,500 which the companies would have to pay imported materials into lowtechnology products such as dolls, toys, and bags. Such operations would not be ecofor such work in Hong Kong In addition, Guangdong has nomical in Hong Kong, and often would not be possible absorbed over 50 per cent of China's foreign investment in because of a serious shortage more substantial joint venof labour. Concentrated in the Pearl River Delta, especially around the city of Dongguan, tures. About 20 per cent of this comes from foreign companies in countries such as the US, France, Thailand and Singa-

they employ at least 1m - and some Hong Kong observers

All this has helped Guang-dong's industrial growth rate to rocket this year to 34 per cent, enlarging an almost unreal economic boom which is largely unrelated to what is happening elsewhere in China. CHINA The boom is resented both by poorer provinces in the hinterland, and by Peking politicians opposed to reform who have recently seized on Guang-

earnings from processing industries this year, according to Ding, and another US\$100m will be earned by the nearby Ba'on County. Bnt this is transitory work, using machines owned by the Overseas Chinese, which does not contribute much towards the indus-

The boom is resented both by poorer provinces In the hinterland, and by Peking politicians opposed to reform

from Chinese people living in Hong Kong and Macao, plus a trial base needed by a growing influx of investment from Taiwan, generally through Hong Kong because

developing country. The province's joint ventures - each with at least 25 per the Taiwanese are not allowed to invest directly in mainland cent foreign equity in 15-20-year agreements - earned China. This 80 per cent reflects US\$350m in exports last year. the fact that there are 20m peo-Although many are in con-sumer areas such as botels and drink bottling plants, there are ple from Guangdong province living abroad - 70 per cent of the total number of Overseas others such as a plate glass plant with technology and management from PPG of the Guangdong benefits in different ways from the two sorts of investment. Dongguan alone US, and car manufacturing with Peugeot of France will

basic items such as lean pork About 80 per cent of our commodities have been fully opened to the market. Unlike other provinces which have food coupons for eggs, sugar, rice, oil and pork, we only have

coupons for rice." Wage increases this year of 20-25 per cent are leaving people with a 10 per cent drop in living standards, albeit at a considerably higher level than most other areas of the country. The province is at least 40

# **Mixture of iron fist** and velvet glove

THE PRETTY Chinese girl in the skintight leether trouser suit collapsed asben-faced in Lhasa airport's minibus. "I can't stand the altitude," she moaned. "I always feel terri-

"I came to Tibet five years ago," said the young man in the polo-necked sweater. "Our government asked for volunteers to teach the Tibetans, but the Tibetans don't want us, so why can't we go home?"

Tibet has never been a popular posting for the Chinese

per cent short of the electricity power snpplies it needs and there is a serious lack of raw materials which pushes up prices and then drains supplies from poorer provinces.

In response to current pres-sure from Peking, there have been cutbacks in non-producstart to build an industrial base. been cutbacks in non-produc-tive investments such as hotels, government buildings and projects like new cotton plants which use up scarce local supplies. But major infra-structure projects, plus other ventures such as polyethylene plants and an oil refinery, are continuing and there are no continuing and there are no signs of cut-backs on foreign-based industrial ventures.

Guangdong is also slowing a little on price reforms. But Ding says it has Peking's approval to go ahead next year dong's hurgeoning corruption as an excuse to slow it down. Ding and other top officials with a dramatic two-year acknowledge there are probexperimental offer of sale to individual tenants of most of lems which have to be tackled, inflation has risen sharply this the province's publicly-owned year to an average of over 30 per cent, according to official estimates, with prices in some housing. Ding argues that this will help curb inflation by diverting people's money away areas and for some commodifrom consumer goods such as ties going up much faster. This refrigerators and television is partly hecause of price sets. reforms slashing subsidies on

"We did have one Commnnist rice pot into which everyone dipped and got the same, but that made developmsnt very slow," says Ding Lisong. Now we have broken tha bowl and have competition and we have very fast development."

Not everyone would agree that the Communist collective pot is actually "broken", and many officials in Peking would like to curb Guangdong's free market jamboree. Ding is too experienced a civil servant to speak openly against Peking to a foreign journalist, but it is clear that he and his colleagues do not like being curbed and intend to push ahead as fast as possible with their reforms, while avoiding too many open clashes with the capital.

because of the altituds, the loneliness and the food. The Chinese anthorities pay substantial bonuses to people pre-pared to work there. Now, with the eruption of nationalist sentiment, even in Lhasa Chinese are afraid to enter the Tibetan

city. Tibetans chase yon at night on their bicycles, and then zigcag in front of you so that yon fall off," said another. "And Chinese soldiers hate being posted to the monasteries -they can't stand the smell of

Tibet, full of suppressed ten-sion between the communities since the anti-Chinese riots ante the anti-chinese riots last spring and in October 1987, has been effectively a Chinese colony since 1950, when the People's Liberation Army occu-pied it. Thousands of Tibetans were killed then and in the nprising which followed an anonernt stitement by the PLA apparent attempt by the PLA to kidnap the Dalai Lama in 1959, who fied to India. Tens if not hundreds of thousands more died in the aftermath of China's twin catastrophes, the

Great Leap Forward and the Cultural Revolution. Things slightly improved after 1980 as reform took hold in China proper. But this year the violent protests and alarm

at rates of Chinese immigra-tion into the territory sparked the Dalai into a campaign to enlist outside support for talks with the Chinese over a new, demilitarised, semi-indepen-

dent status for Tibet. His proposals, made to Euro-pean Parliament members at Strasbourg in June, were followed by discreet negotiations with the Chinese over direct talks. So far, these heve reached stalemate, with Peking, according to the left wing Hong Kong paper Wen Wei Bao, refusing to attend unless the religious leader revokes his earlier decision not to attend personally.

Peking also was alarmed by the riots, partly because it brought world-wide attention to Tibet. Criticism of Peking's human rights record followed. for the first time putting China under mild scrutiny by nations like Britain and the US which had comfortably ignored viola-tions of buman rights in China

"At least the Tibetans have someone to speak for them in the outside world," says one Chinese sadly. "We have nobody."

The Chinese leadership is clearly divided on how to han-



dle the Tibet problem. Reformist leaders admit to prevailing "leftist" influence, left over from the 1966-76 Cultural Revo-lution days, still hard to eradicate. Tibet is a key strategic border area, and it is hard to conceive of the army - said to number about 300,000 - ever

leaving. Most likely, a mixture of iron fist and velvet glove is on the cards. The iron fist was revealed during the summer visit of Qiao Shi, number three

If hardly anyone wants to buy anything, and money is mostly spent doing up temples, how can the 'commodity economy'

develop at all?

in the Chinese leadership and a public security expert, to Lhasa in the summer. Dissent should be "mercilessly repressed", he said. At the same time the logistics of supplying the army were re-exammed and the armed police force strengthened.

More recently, in November, a Chinese Vice-Minister of Pub-lic Security spent eight days in hc security spent eight days in Nepai discussing bilateral rela-tions. The Tibet-Nepal border hitherto has been extremely porous, allowing many Tibet-ans to slip through. For the first time last autumn, the Nepalese returned a group of refugees to China, which is now likely to continue pressure for tighter control.

The velvet glove may be The velvet glove may be manifested in more money spent on the tourist industry, though already Peking already complains that yuan 1bn each year in subsidies are poured into Tibet, with little return. Continued on next page

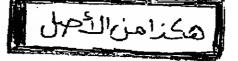
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CHINA 9



Lynne Curry on further efforts to develop tourism

# **Drive to be more than just** a once-only destination

THE WAR Criminal Reform Institute sits on the windswept plains outside the Manchurian coal mining centre of Fushum. It is not your average tourist destination. But it was here that Pu Yi, China's last emperor, the subject of Ber-nardo Bertolucci's Academy Award-winning film, was con-fined from 1950 until 1959 for communist re-education. And in recent months, the Chines authorities have turned the prison into a tourist attraction offering visitors an opportunity to spend a night in Pu Vi's cell, to try on his prison uniform, even to meet his fourth wife. This rather unusual market-ing gimmick is not unique. From kite festivals to camel caravans in Xinjiang, from tailing down the Yangize River to trekking along Everest's base camp in Thet, the Chi-nese tourist industry is actively seeking to promote the country as more than just a 0000 in a lifeting doritonia once in a lifetime destination. But Peking's campaign to persuade tourists to look beyond the Great Wall and the Deyond the Great Wall and the Forbidden City is proving more difficult than the Chinese anticipated "China is not like Europe or the Caribbean," said the director of a western travel agency. "It is just too far. What China has to do now is com-nete with other destinations on pete with other destinations on an interest, quality, and price

"China's development of "China's development or tourism activity relies too heavily on the Great Wall, the Forbidden City, and the tura-cotta soldiers," noted a man-ager of a foreign joint venture hotel. "It must develop histori-cal sites on social develop historical sites or social events such as ethnic festivals." Moreover, among hotel man-agers and those in the travel

נייניין אוניין איניין NO TRIVERSE industry, there is a sense that while figures are hard to 2. ..... 123 TO obtain, China is not attracting repeat visitors to take full maily Coma b advantage of the country's vast, but still largely untapped tourist potential. "A repeat 10000 ELLISS IL tourist is rare," one hotel man-ager said. "The Chinese have - Jan Series ಸಿ ಎಂದುವ ಎರೆ ಮುಖ್ಯಾ to make China so attractive a destination that people put it on their itinerary. Now, it's an ntam, cm da experience. That's why you try it once,

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months of 1988, the number of tourists rose 19.2 per cent to 23.2m over the same period last year, NTA figures showe More European and Scandinavian tourists have come to



Travel Service (CITS) operators, restaurant and hotel staff China's tourism industry and taxi drivers, is a fre-quently mentioned complaint. has been growing quite well, but there are still problems," The lack of proper hygiene in said Liu Yi, chairman of the NTA, quoted in China Tourism public toilets has also come

under attack. Poor sanitation News, a new bi-weekly NTA publication. The level of serbecame such an issue earlier this year that the authorities launched a drive to clean up vice and difficulties in arrangpublic toilets, organising suring transportation for travel prise visits to inspect facilities and offering awards for the within the country are fre-quently cited as the main city's cleanest public toilets. drawbacks to touring in China.

"The greatest challenge in the whole of the country is to But by far the worst problem facing individual tourists and develop an infrastructure to those on package tours is the create an environment for

already has contacts who can make the necessary reserva-tions in the city or if bookings are made by a Chinese travel agent, who normally charges a hefty commission.

"The higgest difficulty as far as the independent traveller is concerned is the inability of CAAC to book multi-sector flights," said the director of one western travel agency. The inability to make reserva-tions is more the norm than the exception.

In addition, CAAC is notori-ous for its unexplained delays ous for its unexplained deays of hours or even days, as well as shortages of flights during the autumn and spring peak seasons to major tourist desti-nations. Flights to Xian, the site of the terracotta warriors, are a wartingizity had mathlem are a particularly bad problem. Travellers are also often told kets to major cities are sold out when they are not. CAAC reportedly makes "phantom" bookings to reserve seats in case party or government offi-cials suddenly decide to catch a flight to another city.

With the tremendons increase in the number of tourists, CAAC's problems have become so acute that one hotel manager noted, "if the government is not able to improve transportation, it will not be able to build up tourism as planned

In addition, travel sources in annihil, traver sources said historical sights through-out the country have not yet been developed, and the Chi-nese are finding it difficult to work out how best to promote what the nation does have to offer. "There are a lot of interesting things here," the direc-tor of a travel agency said. "But the Chinese don't know how to market themselves. They don't have the sophistication of other destinations in terms of marketing. The bureaucracy is not equal to the task.

The Chinese tourism industry generated approximately \$1.84bn last year, a 20.5 per cent increase over 1986, according to the National Tourism Administration. The country is expected to earn about \$2bn this year. This is far less than travel sources believe potential earnings could be. Moreover, the Chinese tourism indu is highly fragmented. China International Travel Service, China Travel Service, China Youth Travel Service, and China Sports Travel Service are only some of the groups now competing for business.

The Chinese are, however, keenly aware of their shortcomings and determined to improve the situation. Indeed, the standard of service has improved since the first joint venture hotels were opened in

## THE ARTS

# Struggle to pay the way

FOR THE Chinese cultural world 1988 started out with Hu Qili, the Politburo's new ideological hitman, warning artists and writers that they were free to go about their business of writing for the economic reforms, but if they got out of hand again and indulged in "bourgeois liberalisation" (ie failed to follow closely the erratic changes in Party policy) then "we in the Centre will have to concentrate our energies on dealing with you".

Not that he really had to warn anyone. In the months of economic over-heating, infla-tion and political shadow-boxing overseen by Zhao Ziyang and the dyspeptic Deng Xiaop-ing that followed, even artists and writers, the privileged agitpropagandists of the "new age" who have been suckied comfortably by the state since the communist takeover, have had to concentrate all their energies on making ends meet.

Art these days is not so much directed at the "masses" but by mass consumers. What they want is bread and circuses. Love stories, kung-fu nasties, detective novels and as nasties, detective novels and as much sex as the anthorities will allow are what they crave. Therefore, the publishing industry, which is supposed to earn money for itself, has little time for serious literature, and recently, established anthors have even been known to pay to be published.

The state is careful to keep an eye out for excesses in pop-ular culture though, and when, during the summer Deng suggested that the way to stop pornographers might be to shoot a few editors, there was a momentary panic. However, the Chinese are used to the old man's pique; after all, this years anti-porn (saohuang) purge was the eighth in three vears.

Internationally, Chinese cin-ema has maintained a high profile. Zhang Yimou's Red sorghum - a rather clumsy paean to the lumpen prole spirit of Chinese mateship and male chauvinism - was a critical success overseas and, unusual for a work hy a younger art film director, it did well at the local box-office. But then again, this was no art movie. After Zhang's dollarsand-cents success, film cognoscenti are awaiting a new crop of commercial movies from the



prose, poetry - formerly the

focus of innovation, has been in the doldrums for the last

two years. It simply does not

pay to produce high-brow or even middle-brow literature.

Leading literary stars, drawn

by the lure of hard currency

royalties, keep an eye on the international market, but them

excited about stories mostly

written for foreigners. Bloody Sunset, Lao Guh's poorly-writ-ten though vivid autobiograph-ical record of the Cultural rev-

olntion was one of the few

noted local success stories. But

other products of China's anti-

septic "dirty literature" can

hardly raise an eyebrow any-

writers and artists have moved

more

who has presided over a cautious and partial relaxat of policy in the last two years

country's other leading art film

directors. Everyone has to make money and even Tian Zhuangzhnang, the creator of Horse Thief, an artful avant-garde film set in Tibet, has gone com-mercial. His latest film, Young-ster's Rock, a Chinese "break dance", will première in early 1989. This is definitely something new for the director who, when responding to queries as to why audiences in China found his idiosyncratic work inaccessible, said he was mak-ing films for the 21st century.

Television, on the other hand, surprised everyone by screening the six-part docu-mentary, River Elegy (He Shang). River Elegy shocked and delighted an estimated 600m viewers by debunking some of China's most precious totems such as the Great Wall ("the xenophobic defence of a land-locked people"); the dragon ("symbol of inhuman-ity"); and the Yellow Biver ("as erratic as Chinese politics"). The series' ideological bottom line, however, is the Open Door policy. Still, one old army man, Wang Zhen, Vice President, was so infuriated by the series that he tried to get Deng, a close comrade-in-arms, to start a new cultural purge. The Politburo, however, is anxious not to exacerbate the already highly-charged atmosphere caused by economic uncer-tainty, and Wang reportedly was chastised for his outburst. The literary scene - fiction,

Jian the Peking rock singer composer whose songs, The New Long March, and Nothing to my Name have made him a star. "Somehow he express the sense of loss and uncer-tainty that so many people feel today," went the review, giving a green light to rock. In November, Hu Gili con-

few people in China can get gratulated China's cultural world at the Fifth Writers' and Artists' Congress. Unlike an earlier meeting of writers in January 1985 when he encouraged "creative freedom", this time around caution was the watchword, and the intractable Four Basic Principles (socialism, Party leadership, proletar-ian dictatorship and the primacy of Marrism-Leninism and Mao Thought) were high on the agenda. Some delegates simply stayed at home. Samizdat poetry journals

and anthologies continue to proliferate, and in the salons of the diplomats, foreign journal-It has been the Year of the Dragon, after all, according to tradition a period of disaster ists and business people of Peking and Shanghai, the and change. Last time around jejune Chinese glitterati vie to be discovered and exported. (1976) it was a year of mixed bleasings. Zhou Enlai and Mao Open dissent is impossible, and when the laws of the economy rule, covert dissent does not Zedong died, then the Gang of Four was arrested and the calamitous Cultural Revolution pay or does not pay enough. Perhaps this is why so many of the 1978-81 generation of exended. This year there have been devastating fires, plane **Red Guard or Democracy Wall** and train disasters, and some

of the remaining great figures of Chinese letters such as the Overse novelists Shen Congwen and Rock music has finally come Ye Shengtao have died. On the credit side, well there ares still into its own this year. In July, the People's Daily, the paper which once denounced Debussy for being bourgeois two months until the end of the lunar year. and jazz as pornographic, printed an article praising Cui

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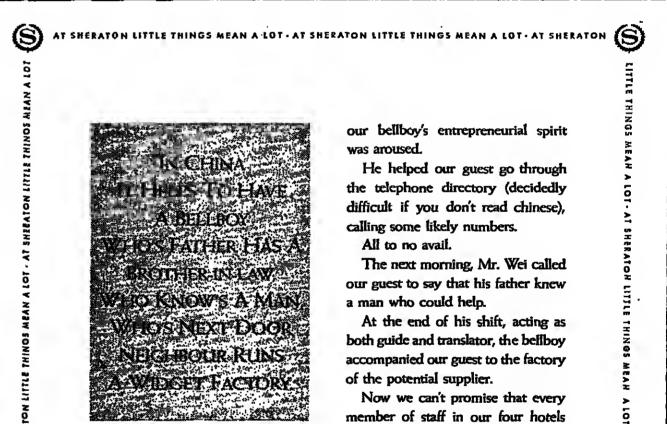
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China in 1968 than in 1987, but the number of American and Australian visitors has fallen this year, an NTA spokesan said. While the weaker dollar has prompted many Americans to stay at home and the Australians have celebrated their country's bi-cen-

In fact, the total number of

tourists continues to grow,

soaring nearly 139 per cent between 1986 and 1987, accord-

ing to the National Tourism

Administration. Much of this

dramatic increase came largely

from visits by Chinese from Hong Kong, Macau, and Taiwan. In the first nine

repeat tourists," said a man-ager of a joint venture hotel group. With all or use anyone hassles, there is still not a With all of the airport smooth way to get around the country. Nobody can guarantee a completely positive experi-ence. Some parts are okay, but

China in the mid-1980s. Despite the government's recent call service offered by the country's airline, the Civil Aviation Administration of China (CAAC). It is virtually impossi-ble to make onward bookings for a cutback in hotel projects in major cities, a glut of hotel rooms by the early 1990s is likely to result in greater comfrom an outward bound destination until a traveller arrives petition, better service and in his or or her city. The only exceptions are if a visitor lower prices for tourists, according to hotel managers.



Continued from previous page Most of this seems to go on supporting the immigrant Chinese community (now officially said to number around 70,000 but undoubtedly much more), which needs apartment blocks, hospitals, schools, restaurants, cinemas and, above all, some thing resembling a Chinese

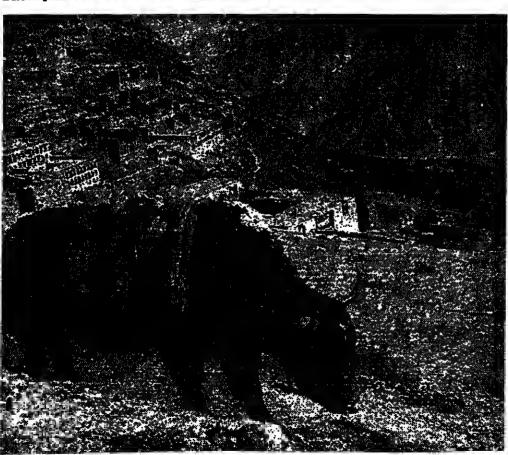
Chinese economists expr frustration at the problems of interesting the deeply religious Tibetans in the current Peking buzzword, the "commodity economy". Tibetans do not want bowls, chopsticks, enamel basins, or even vegeta-bles and fish, all so essential to the Chinese way of life. If hardly anyone wants to buy anything, and money is mostly spent doing up temples, how can the economy develop at

The Chinese think they have found an answer, which is tourism. Not only will foreign-ers pay ridiculous sums to visit this uncouth and uncomfortthis uncout and uncomfor-able region, but they bring in a breath of the outside world. In fact, it is now possible to see in Lhasa Tibetans in stone-washed jeans clustering around the audiotape stalls set out in the Barkhor, the pilgrim circuit surrounding the Jok-bang temple. hang temple.

For a successful tourist industry, outward peace is nec-essary, so some accommoda-tion is needed with the locals and with the Dalai Lama. But Peking is unlikely to give very much away on an issue so important to national pride and security.



es on pligr Above: Tibeten izn mastery, Gander Below; vaks browse in the ru ned m



An American businessman in China to source a supplier, had been given one rather tenuous lead by the U.S. Embassy.

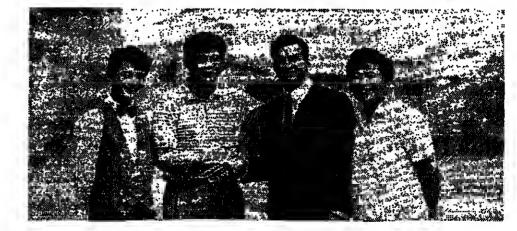
Arriving back at the Sheraton, feeling somewhat frustrated, our guest went up in the lift with Mr. Wei Yong, our beliboy.

One short conversation later and

in China have Mr. Wei's linguistic ability, initiative and drive.

(Not to mention connections!) But we can promise that it is little things like his attitude which we encourage throughout our hotels in Asia Pacific.

Because we know that little widgets mean a lot to our guests.



BEIJING · GUILIN · SHANGHAI · TIANJIN · FOR RESERVATIONS AT ANY SHERATON HOTEL WORLDWIDE CALL TOLL Sheraton FREE - UNITED KINGDOM 0800 353535 - BELGIUM 11 3535 - FRANCE 1905 907635 - SWEDEN 020 795835 - ITALY 1678 35035

**BUSINESS** with China requires perseverance and patience. Going it alone is not a good idea: even 10 years after reform, the network of agents, distributors and dealers remains small, and a joint venture partner is the best way to negotiate the pitfalls.

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As one experienced hand put "the Chinese system is a bureaucracy in which the critical art is to avoid responsibility." This may seem at odds with what is hasically an authoritarian structure, but it is the way the place works.

Initial information can be obtained from trade offices in your home country, or via the large number of agents operat-ing out of Hong Kong. In China itself, a good starting point, depending on your field of interest, is one of the trading corporations under the Ministry of Foreign Economic Relations and Trade beadquartered in Peking.

If you want to deal with a specific region or factory it is

Climate: Varies considerably from north to south. In the north there are extremes of temperature, ranging from -15 °C (Jan) to 40°C (Jul-Aug), with possible dust storms in Apr-May and most rainfall and humidity in Jul-Aug. In the south, the climate is sub-tropical, quite warm until the end of October.

Entry requirements Passport: Required by all. Visa: Visas are required by all, and are generally arranged for business visitors by a host organisation in China. Tourist visas are also available.

**Health** precautions Mandatory: Vaccination certificates required for cholera or smallpox if travelling from an infected area

Advisable: Anti-malarial precautions. There are occasional outbreaks of cholera in southern China. Gamma globulin recommended against hepatitis.

Hotels: There is a shortage of accommodation in peak seasons, and visitors often complain about low standary service, the plumbing and the occasional mice. The main hotels in major cities are of a reasonable standard, but most hotels are frugal, often with fixed-time, fixed-menn meals and even cold water only during certain hours in the evening and morning. Sharing rooms is to be expected. This problem should ease as new state botels are completed.

best to contact provincial organisations direct, particularly if the amount involved is. not huge. As a rule, small scale exports or investments are tially. handled by the local authorities, with central approval needed for larger deals. Because the Chinese burean-

current restraints, mainly on luxury hotels and other "nonproductive investment", will cracy is not well co-ordinated not effect either those projects borizontally it is often not posalready under way, or the spirit of co-operation with forsible to get guidance from middle-ranking officials, which eign capital that has marked makes the need for personal contact with the actual unit or China's recent economic pollocal administration that will As first contact is usually be handling the manufacture. made through a letter, it is a

**KEY FACTS** 

delays in services. Airport

Public holidays Fixed dates: 1 Jan; 1 May; 1-2

Oct, National Day. Variable dates: Chinese New

Social customs: Tipping is never practised, although it

is courteous to thanks hotel

services. It is customary to

present a business card.

Taiwan (Formosa) is

as a country.

Banking

of China,

and Trade.

Head of government ... Premier of the State Council, LI Peng

and restaurant staff for their

considered a province of China, and should not be referred to

Central bank: People's Bank

Foreign exchange bank: Bank of China.

Advertising; Advertisements

may be placed in the daily

press, on TV and on radio. Outdoor advertising may be

used in certain urban sites.

Foreign Economic Relations

People's Republic of China

... Communist Party of China

Zhao Ziyang

.... £1 = yuan 6.4

State President Yang Shangkun

Putonghua (Mandarin Chinese

**Contact the Ministry of** 

announcements are not multilingual.

Year (up to 3 days)

investment or whatever the olete and technical presentabusiness entails. Devolution of anthority, tion in simple English, with especially in the southern coastal region close to Hong reference to company size and experience. If a firm is willing Kong where business practices are more sophisticated, has than cash, say in barter or deferred payment, this could be a major selling point, since given local groups the power to sign export agreements and investment contracts. This is China remains short of foreign undergoing some revision due currenc to central government fears Multiple copies and folabout what it sees as unconlow-up letters are useful, and trolled, inflationary growth, any correspondence in Chinese

CHINA 10 **BUSINESS TRAVELLER'S GUIDE** 

should be done by specialists. but is unlikely to alter substan-Advertising and consultancy The leadership has said the services are now available in the larger cities like Peking and Shanghai, though not always at the level foreigners might expect. Bear in mind that while

domestic demand is huge, disposable capital is not, resulting in a correspondingly limited market for imported goods. Advertising can be done via Chinese television, the more good idea to compose a comthan 40 daily newspapers, radio (the most powerful medium), magazines, hillboards or direct mail.

Because Chinese officials consider payment other tend to rely on personal contact, a broad network of introductions is useful. The numer ous trade fairs and exhibitions are one way of making contacts, as are the growing range of technical seminars now being staged in capital cities. A reference that many busi-

Electricity supply: 220V AC 50 cycles, with 2 or 3-pin flat plug fittings, with 2-pin round as well in some hotels, and

mostly screw-type light bulb fittings.

Hotels: Peking Great Wall Sheraton, North

Donghuan Road No 6

Road, Jiangtai Road (tel: 500688; tx: 22618).

22439; cable; 6677).

**Business** advice and

China Council for the

information

Investment

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IEJ. UK

**Travel** information

ness people find helpful is Chinese Commercial Negotiating Style, by Lucian Pye which, though dealing mainly with US firms and published in 1982, is still relevant.

It is no use trying to put everything in a legal contract - Chinese officials like to keep the protocol fluid. The thing to remember, according to the representative of a large multinational who has been living and working in China for 10 years, is "it may seem like there is no way to do a deal, but in China there is always a way. That is the beauty of the

Before 1979 China had no commercial law and trade was based on trust; now there is a code for foreign companies doing business in China, but it is far from comprehensive or rigidly applied. Trade contracts are usually written in Chinese

and English, with the Chines version prevailing in a dispute China has a patent law, and a patent office has been set up under the state economic commission to protect foreign patents from pirating.

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China also has tax laws, though these seem to apply more stringently to foreigners than locals and are implemented fairly arbitrarily in the provinces where it is not uncommon for tax liability for Chinese enterprises to be negotiated, rather than enforced. The door is still wide open to

USSR

DOL In Peking business people foreign capital which usually tend to stay at the centrally located Jianguo hotel, the means an equity joint venture in which the foreign partner's Sheraton Great Wall Hotel, the investment is no less than 25 Shangrila (not so central but per cent with profits, losses and risks shared. In contracdecidedly up market), or the Lido, near the airport. Booktual joint ventures the Chinese ings can be made directly through a travel agent, a Chiprovide the land, natural resources, labour services and nese contact, or through the materials, and the foreigners, the capital, technology and key government department spon-

soring your visit. equipment. Liabilities and obli-Permanent accommodation gations of both parties are set

in Peking is at the moment out in the agreement. hard to find and extremely It is now easy to have a forexpensive. Some large compaeign currency bank account in nies have located their offices China and in the larger cities a in major hotels where rents Bank of China Mastercard is can easily be \$200 a day. Simiavailable for business use. larly, phone and telex lines can be difficult to obtain quickly. Accommodation, particularly in Peking, Sbanghai and Guangzhou is plentiful at the

at this end of the market are

comparable with western lux-ury hotels, though service is

Taxis are readily available to foreigners at the large luxury top end of the market and hotels, with an across-town likely to become more so with trip worth about yuan 20, and half a dozen international class the drive in from the airport hotels due to open by the end costing about yuan 40. It is impossible to hire a car of 1989 in Peking alone. Prices

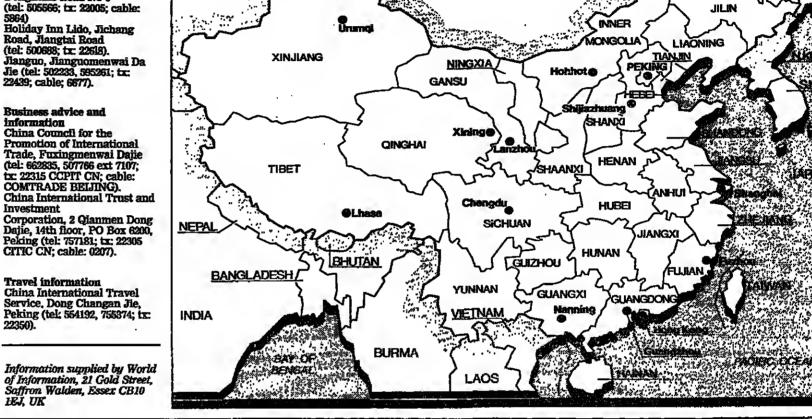
in the Hertz sense of the term. though hire cars with drivers can be had at the big hotels.

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Interpreters can be employed in the big cities, either through China International Travel Ser vice, or via the government's translation services. But when dealing with one of the big Chi nese enterprises like China International Trust and Investment Corporation (Citic), interpreters are usually provided. Peter Eilingsen

system, when you know how to work in it."

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# A German bank with global representation

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**Credit cards:** Credit cards are all but unknown, although international-standard hotels and restaurants may accept najor cards such as American Express, Visa or Mastercharge City transport

Taxis: Taxi service is available

in all major cities. It can be

difficult to find a taxi except

at hoteis, and it is likely to

be time-consuming. Metered taxis may be hailed in the

Shenzhen. Taxis hired by the day charge on the basis of

distance travelled and waiting

to the hotel, paying the driver

time. If possible, it is best to

retain a taxi until returning

a small waiting fee during

Air: CAAC provides regular

services between the major

cities, with first-class service

on some routes. Flights are

always overbooked and seats should be confirmed as a

Allow plenty of time for inevitable and often prolonged

Roling party ...... Comm Chairman of the Military Commission ....

appointments or meals.

Tipping is not practised.

National transport

matter of course.

Official title

Capital

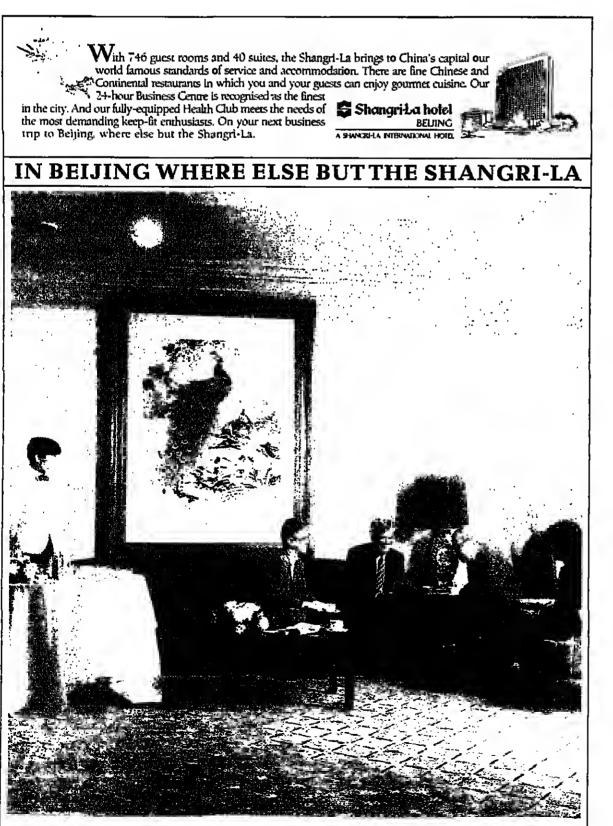
Currency ..

Head of state

**General Secretary** 

Official language

street in Guangzhou and



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